

ECONOMY DEPARTMENT

Vol. XXIX, No. 3

Eugene Field on Instalment Buying—Page

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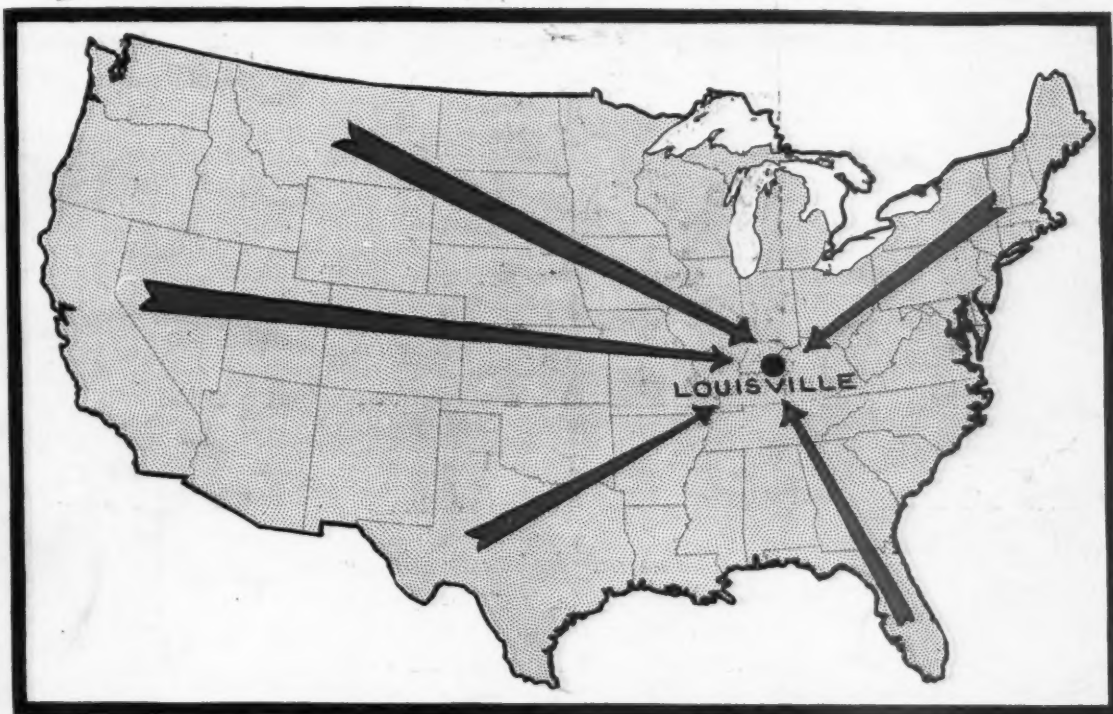
CREDIT

MONTHLY

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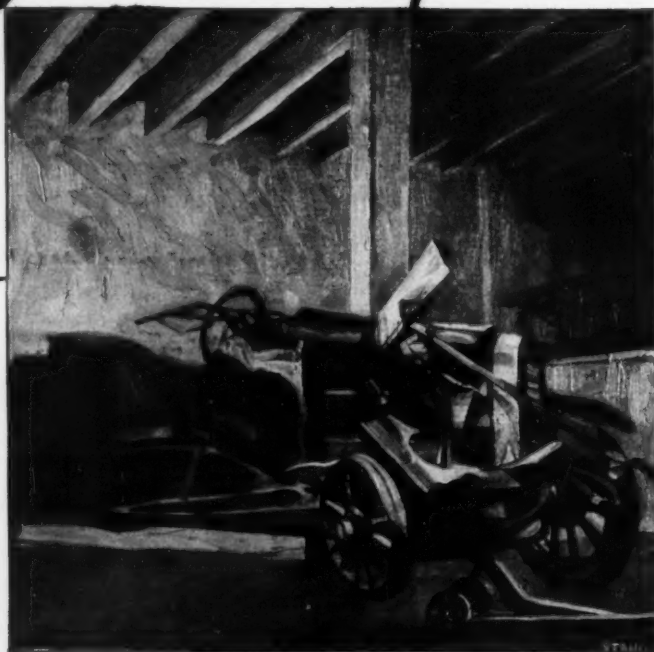
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It is anticipated that in 1933 there will be completed across the Hudson River from New York City to New Jersey the greatest suspension bridge in the world. The two towers will rise 650 feet high and its main span will be 3,500 feet with a minimum clearance of 150 feet. It will cost approximately fifty million dollars.

Such an engineering achievement will require hundreds of contracts and involve many organizations. These various companies will purchase raw material and authorize the manufacture of the many vital parts—cables—steel work and electrical equipment.

All of these separate operations moving forward to a common end will require credit and credit will call for insurance.

And so even a monumental piece of work such as this bridge finds interwoven in its cables and sustaining arches the constructive power of insurance, for insurance safeguards credit and credit makes huge enterprises possible.

This is an advertisement by The Home Insurance Company of New York presenting the place which Fire Insurance takes as a vital factor of the nation's development.

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What Credit Departments Cost

Average Is a Little Over $\frac{1}{2}$ of 1%

A NEW ENGLAND executive asks the CREDIT MONTHLY, How much should my Credit Department cost—what should be the ratio of credit and collection operation expense to total net sales?

Nothing short of an exhaustive study of the costs in many concerns in his particular line would give an exact answer. But combined average costs have been calculated in fifteen leading lines of business and

presented in the report of Committee IV of the National Distribution Conference held at Washington, to make a study of the expenses of doing business. With Dr. Frank A. Fall, Director of Education and Research of the National Association of Credit Men, as chairman of the sub-committee on the cost of credit and the cost of failures, were associated Ernest I. Kilcup, General Credit Manager of the Davol Rubber Co.,

Providence, and a director of the National Association of Credit Men; David E. Golieb, Einstein-Wolff Co., New York; and George Rea, Touche, Niven & Co., New York.

Contributors to the research were asked to include collection costs with their figures on credit department operation.

Though the correspondents were asked to classify the various items of credit department expense, the replies indicated that no uniform method of accounting for the credit department has yet been perfected. The factors considered in this study were:

1. Salaries of credit manager and assistants.
2. Salaries of secretarial, stenographic and clerical helpers.
3. Outside services, including agencies, for gathering of credit information; legal and collection agency fees.
4. Mechanical aids,—files, records, forms, instruments, etc.
5. Credit insurance.
6. Cost of capital tied up in accounts.

These items were in addition to overhead. Bad debt losses were not considered here, but were made the subject of a special study.

Interlocked Departments

One of the chief obstacles in securing Credit Department cost figures was the lack of a clearly marked dividing line between this and other departments of the business. In certain enterprises the Credit and Sales Departments were so closely interlocked as to make a correct allocation of expense almost impossible; in other concerns, the credit executive had been made treasurer, comptroller, secretary or president, without relinquishing his duties as manager of the Credit Department. Several credit managers questioned admitted frankly that the costs of Credit Department operation were unknown.

The committee obtained enough data, however, to warrant giving out an average percentage figure. This average figure, representing the ratio of credit and collection department operation expense to total net sales in all of the concerns reporting in fifteen leading lines of business activity, is .00571, or a little over one-half of the per cent. The opinion of the committee was that Credit Department costs in the United States are today generally reasonable, and that no appreciable reductions can be made without weakening the credit structure.



Night and Day

THE CITY HALL STATION of the New York Post Office is on Broadway, directly opposite the Woolworth Building, the home of the Out-of-Town Office of American Exchange Irving Trust Company.

As each mail is sorted at the Post Office, messengers from the Bank collect the letters for this Company, and by night or day, deliver them at once to the Out-of-Town Office. No time is lost.

American Exchange Irving Trust Company speeds up the handling of business of out-of-town correspondents in every way possible. Quick action is taken. Collections are made without delay. The customer is notified promptly when funds are available.

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On to Louisville!

AS Louisville is within an over night railroad journey from many thousands of members of the National Association of Credit Men, a large attendance is expected at the Thirty-second Annual Convention of the National Association of Credit Men to be held in that city June 6-10, 1927.

The program of the Convention, unusually rich and varied, with its special entertainment features, will be presented in the next number of the CREDIT MONTHLY. Portraits of the Convention committee members appear in this issue.

Active preparations are being made throughout the 143 local associations of credit men for delegations to the Convention. Among these is the novel plan of the Pittsburgh Association, which has already chartered an excellent river steamer, the "Queen City," which ordinarily plies between Louisville and Cincinnati. R. T. Graham of the Pittsburgh Dry Goods Company, a National Association director and president of the Pittsburgh Association, will head the delegation. Secretary L. I. McQueen reports that nearly all the state-rooms, which in the aggregate will accommodate about 125, have been spoken for.

"We plan to leave Pittsburgh," the Secretary writes, "on Friday evening; and unless we stop and lose too much time at the various bathing beaches and amusement parks down the Ohio, we should arrive early Monday morning. According to our present plan our boat will be moored at the foot of the main street and we will be then but a few squares from the Convention headquarters. This will permit our use of the 'Queen City' as our hotel during the Convention. We will have breakfast every day on the boat. The return trip will be made by rail because the trip upstream will be rather slow and the entire delegation will not be leaving at the same time."

Secretary McQueen is trying to get authorization from his directors to push overboard any delegate who alludes to the steamer as the "McQueen City."

THE CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

RODMAN GILDER, Editor

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A New Spring Dress

THIS month the CREDIT MONTHLY comes out in a new typographical dress. This consists of a larger and more open style of type on the text pages. The change was effected in the interest of faster and more comfortable reading, and, it is hoped, will add to the general attractiveness of the pages. Readers are invited to comment on and criticize the general appearance and readability of this month's issue of their own professional magazine. —The Editor.

CREDIT
MONTHLY
March, 1927

Published on the 5th of every month by the National Association of Credit Men. Subscription price, \$3.00 a year, 25 cents a copy. Canada, \$3.50. All other countries, \$4.00 postpaid. Entered as second-class matter at the Post Office, New York, N. Y., U. S. A., under the Act of March 3, 1879. Editorial and Executive Offices, 1 Park Avenue, New York, N. Y., U. S. A. Copyright, 1927, National Association of Credit Men.

Vol.
XXIX
No. 3

The Check Crook is a Fraud Expert



In the hands of a criminal expert, a check is an instrument ideally adapted to the successful perpetration of fraud.

Criminal ingenuity in this field, successfully applied, has already brought yearly losses in the U. S. to the staggering total of over \$100,000,000.

Now, as you read these words, *your* check—stolen from the mail or otherwise obtained—may be ready for “treatment.” If pen-written, the treatment may consist of raising, change of payee’s name, or

both. If filled out with a check-writing machine, or otherwise protected, it may be cashed by forging the endorsement.

Altered circumstances merely alter the check crook’s methods. His “profession” makes him versatile.

The one *sure* protection—the only *complete* protection—is insurance. The rates are reasonable. And the Metropolitan Casualty allows liberal rate discounts for the use of approved protective devices.

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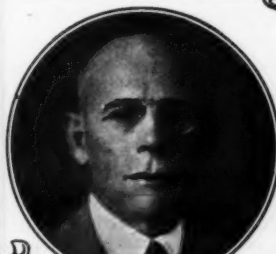
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As a promise to pay in event of loss, an insurance policy is a grant of credit. When companies reserve this credit to applicants of unquestioned integrity, then that policy in itself will be an indication of good credit rating for the holder.

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THE CREDIT MONTHLY

Vol. XXIX

MARCH, 1927

No. 3

Credit Department Speed Machines and Methods That Save Time

By F. R. Atherton

Member, Ways and Means Committee, New York Credit Men's Association

ANY business department head is sleeping over his desk if he does not continually act as investigator and critic and, with as much of the open-mindedness of an outside expert as is possible, check up on his methods and equipment. How otherwise can he learn how they measure on the yard-stick of modern efficiency? The fact that things seem to be running along smoothly is not enough. The world is moving fast these days and, with all the new inventions and systems, we may be far behind unless we are on the watch at all times for something new that can be used to advantage.

Thomas A. Edison has said that it is a sin not to use a machine in the place of a person if there is a machine that can do the work. His remark is also true from the standpoints of time and money and is a challenge to the wide-awake credit manager on the lookout for better methods in office management.

About a year ago, I made an experiment in re-organization in my own office, introducing various new forms and new equipment. The results were better than anticipated and may be of interest to some other credit executives.

The new machines put in were:

- 1 double-barreled order-writing machine for continuous forms\$ 450
 - 2 superfold billing machines 500
 - 1 book-keeping machine.. 1500
- These, I estimate, paid for them-

selves in nine months. In two departments alone, five people do the work that eight did before. We have done away entirely with 35 comparison books we used to keep up and the comparison of sales reports which formerly were two months late are now available at any time.

The success with these improvements has led me to install or order for our five other sales offices this same labor-saving equipment—book-keeping machines, billing and order-writing machines, new ledger and continuous writing forms—so that our methods throughout all offices are now uniform. A personal visit to four of the offices enabled me to make suggestions for improvement in office layout that might have been overlooked by the local managers, such as change in location of desks and re-routing the work.

Setting the Pace

In a manufacturing company, any appliances that can be economically employed to save time in clerical operations are advisable, because office routine has not only to keep pace with the production and sales departments but to keep ahead of them if there is to be no congestion. It does not pay for an active office to try to get along without crank type or key-driven calculating machines, or both, and without plenty of adding machines. These appliances can be used for endless operations with a great saving in time, not only because of their speed but also because of their accuracy.

The book-keeping machine often brings about the greatest change in an accounting system. In our case, it enabled us to combine with our regular ledger operation the segregation of sales records kept previously in an entirely separate set of books, expensive to maintain and not nearly so easy to read because they were written up by hand. It was necessary for me to devise a special form (reproduced herewith), for the ledger. This form, though special, is one that might be used by any firm not requiring more than six or seven different segregations of sales figures. It furnishes an almost complete sales and credit reference on an account for four years back, as the illustration shows. The line spaces at the top of the page are for sales totals for the previous four years.

A sales manager can look over a ledger sheet like this every month and tell just what the trend of sales for that length of time has been, without having to wait two months or so for a sales comparison report to be made up. If the plan is followed of sending every six months a report of each account's purchases during that period to the salesman handling it so he can enter the totals in his own record book, it is easy enough to stamp the ledger sheet to show that the compilation has been made and so provide a check on this clerical job.

While speaking of the connection of the salesman and the Accounting Department, let me say that I think



Drawn by H. K. Browne ("Phiz") in First Edition of Pickwick Papers

MR. PICKWICK IN A DEBTORS' PRISON

Each new prisoner "sat for his portrait" so that the turnkeys could identify him

Debtors—Old Style and New

Imprisonment for Debt in the U. S. as Late as 1889

By Eleanor Boykin

NOT long ago, there was flashed over the news wires of the country the story of a man who, after a second start in life, had finally paid with interest the last cent due to his creditors in a failure thirteen years ago. The public read it and thought only of the man's unusual honesty. But it is probable that a good many of those who know the credit profession thought, too, of the dozen or so credit managers whose belief in the credit applicant's integrity had finally been vindicated.

The incident is interesting, however, from another point of view. It is one specific instance that justifies the entire modern co-operative system of credit which has evolved from the old punitive one. Much less than a hundred years ago, this demonstration of energy and perseverance in discharging financial obligations would not have been possible. In either England or the United States, the poor debtor might have been clapped into prison by the first creditor whose bills fell due and kept there perhaps until—as was the case with Little Dorrit's father—his hair was white, his ability and ambition destroyed and his moral fibre undermined.

Imprisonment for debt seems to have been one of the last of civilization's most benighted practices to disappear. It clung to our legalized customs after the pillory, witch-burning and slavery had all been abolished. And this in spite of the protests of influential people long before the time of Dr. Johnson.

Futility of Prison for Debt

It was natural that Dickens, with his hatred of injustice and his sympathy for the down-trodden, should have been one of the many to employ his pen in revealing the bitter futility of the debtor prisons; and it must have been gratifying to him to see passed in England the year before his death in 1870 the Act to Abolish Imprisonment for Debt, which reduced the number of occasions on which a creditor could take vengeance upon an honest but unfortunate debtor. Dickens treated the subject tragically in "Little Dorrit" and rather humorously in "Pickwick Papers."

It was the comical "Samivel" who most concisely summed up the case against debt imprisonment when he was commiserating with his employer, Mr. Pickwick, for having to pass his time in Fleet Street Prison be-

cause he had refused to pay damages of 750 pounds in a trumped-up breach of promise suit.

"I'll tell you wot it is, sir," philosophized Sam Weller, "them as is always a-idlin' in public-houses it don't damage at all, and them as is always a-workin' wen they can it damages too much. 'It's unekal,' as my father used to say wen his grog worn't made half-and-half—it's unekal, and that's the fault on it."

The spirit of vindictiveness which was often the creditor's sole motive in avenging himself upon the person of some honest debtor unable to pay a small sum is brought out by Goldsmith in his "Vicar of Wakefield," the poor old vicar being thrust into jail, where felons also were confined, upon the excuse of unpaid rent brought by an affronted and dissolute squire.

Size of Debt Disregarded

It was this lack of discrimination between the swindler and the victim of misfortune that produced the greatest injustice in the execution of the debt laws. There was also an absurd disregard for the amount of the debt. It is reported that in Philadelphia in eight months preceding

February, 1830, there were thirty persons jailed who owed less than a dollar each, one of them a man imprisoned thirty days for owing two cents. A widow in Providence was incarcerated for the sin of owing sixty-eight cents.

Such outrages in the rendering of the letter of the law stirred Daniel Webster to protest and he wrote in 1830 to the Prisoners' Relief Society:

"I am against imprisonment for small sums. I would carry exemption to debts of \$30 or \$40. I am of the opinion there should be no imprisonment for debt when it appears no fraud has been practised or intended, either in contracting the debt or in omitting to pay it. Then when a man does not fulfil a lawful promise he ought to show his inability and also that his own conduct has been fair and honest.

"No one should be discharged who is proved to have lost money in any species of gaming, and I should include in this class all adventurers in lotteries.

"Nineteen-twentieths of the evil would be relieved if imprisonment for small debts were abolished. Small credits are often given on the confidence of being able to collect the debt by the terrors of jail, large ones seldom or never."

That the terrors of jail were not sufficient to prevent people from incurring debts is shown by the steady stream of arrests made on account of them. In fact, the number of debtors who filed into the jails tended to increase rather than diminish. In 1829, when our population was about 13,500,000, it was estimated that there were 75,000 people imprisoned annually in the United States for debt; and it was said that in England around that date, there were never at any time less than 14,000 or 15,000 in prison. In the early part of the Nineteenth Century, Rhode Island and Massachusetts passed laws requiring a creditor to pay the board of an imprisoned debtor and this materially reduced the number of those confined, as did the law in South Carolina demanding of a complaining creditor an oath that the arrest was for a *true* debt.

Underneath all this unyielding insistence upon maintaining Shylock terms in any delayed payment transaction was a misunderstanding, incomprehensible to us to-day, of credit. It was argued that the abolition of arrest for debt would destroy the beneficial system of credit. Prophecies were made that if the law were wiped out, disorganization of commerce would follow.

Another view, in England at least,



Debtors' Prison built in 1748 and still standing in Williamsburg, Va.

was that the law did not hold it justifiable for any one other than an actual trader to make any considerable debts. If a gentleman or one in the liberal professions incurred debt and delayed payment, having the necessary funds, this was dishonest; if he did not have the funds, the dishonesty and injustice were the greater, and he should not complain at whatever punishment befell him. No wonder there were no credit departments, no credit managers or credit bureaus. The man who gave another credit felt no responsibility in the transaction. One writer's comment was: "The propertyless workingman does not merely pledge his future earnings under the existing law; he really puts his body in mortgage to his creditors."

Dr. Johnson on Credit

As in many another instance, that caustic old essayist and dictionary maker, Dr. Samuel Johnson, saw the situation clearly and gave an analysis of it that would entitle him even today, nearly 200 years later, to be called a Modern. He wrote:

"The motive to credit is the hope of advantage. Commerce can never be at a stop while one man wants what another can supply, and credit will never be denied, while it is likely to be repaid with profit. He that trusts one whom he designs to sue is criminal by the act of trust; the cessation of such insidious traffic is to be desired and no reason can be given why a change of the law should impair any other. We see trade with nations where no payment can be compelled. [Was he prophesying the aftermath of the Great War?] Mutual convenience produces mutual confidence, and the merchants continue to satisfy the demands of each other, though they have nothing to dread but the loss of trade.

"It is vain to continue an institution which experience shows to be ineffectual. We have now imprisoned one generation of debtors after another, but we do not find that their

numbers lessen. We have now learned that rashness and imprudence will not be deterred from taking credit; let us try whether fraud and avarice may be more easily restrained from giving it.

"Those who have made the laws have apparently supposed that every deficiency of payment is the crime of the debtor. But the truth is that the creditor always shares the act, and often more than shares the guilt of improper trust. It seldom happens that a man imprisons another but for debt which he suffered to be contracted in hope of advantage to himself, and for bargains in which he proportioned his profit to his own opinion of the hazard; and there is no reason why one should punish the other for a contract in which both concurred."

But the lawmakers did not heed Dr. Johnson or his contemporary, Edmund Burke, who sagely remarked, "You know that credit is given because capital must be employed, that men calculate the chances of insolvency and they either withhold the credit or make the debtor pay the risk in price." It was not until 1869 that England took any stand against imprisonment for debt, and then the Act in effect brought relief only to those who owed as much as fifty pounds.

As one critic said, there was created an "aristocracy of insolvency." Those who owed under fifty pounds might be committed to jail for six weeks or until payment was made if they had or had had means to pay. The big debtor remained free, because he could go into bankruptcy or liquidation. As late as 1903, there was an article published in an English magazine asserting that there were more imprisoned debtors in England at that time than in the days of the prison reformer, John Howard, who died in 1790. And in 1914, "The Economic Journal" reported that imprisonments for debt were decreasing, so there must have been languishing in the jails even then some who had been brought there by debts.

The record of the United States is somewhat better, though progress was slow because enactment had to be by States rather than by federal statute. By 1829, imprisonment for debt had been abolished in two states, Ohio and Kentucky. In 1831, New York was stirred to an act abolishing imprisonment except in cases of fraud, and by 1840 most of the other northern States had passed similar laws. It was not until 1889, however, that it could be said that imprisonment for debt, except where there was fraud, had been

(Continued on page 33)

Low Premium and Safe Credit May Be Combined in Fire Insurance Policy

By Clarence T. Hubbard

This is a message from the credit executive to the debtor merchant on a business fundamental.

THE highest type of fire insurance protection is insurance which covers fully and completely—that will indemnify you for loss, yet not cost an excessive premium. The experience of the fire insurance companies indicates that the average business house is under-insured, frequently to an extent where the portion of the fire loss which the assured has to bear himself is sufficient to force him into bankruptcy. Therefore the first question for the assured or the credit manager to consider is—"Am I properly insured?"

To obtain the answer to this question, first *inventory* your property. If you own the building in which you are located, or any other buildings, have them appraised by a reliable company. Then examine your fire insurance policies and see if the total amount of insurance *equals* the full value of your property.

In fire insurance policies covering buildings it is usually permissible to have what is called the "foundation clause" attached. Do you know that such a clause can save money? The working of this clause varies in certain sections of the country, but in general it provides that the cost of excavations, and the cost of foundations below the level of the ground where there is no basement, or below the level of the lowest basement floor, may be excluded from the coverage of the policy, and, therefore, excluded in the application of the co-insurance or reduced rate contribution clause which is usually attached to fire insurance contracts.

The purpose of a "foundation clause" is to eliminate the necessity for a building owner to pay a fire insurance premium on *foundations* which are set in the ground, also the cost of the excavations, all of which could not, of course, be burned. This is stressed because if an appraisal is made of a building the cost of the foundations and excavations will be included in that appraisal and they

"HOW about your insurance," is among the first questions I ask a merchant who wants to buy our goods on credit," said the vice-president and credit manager of a nationwide business.

Many credit managers are authorities on insurance and use their knowledge of the subject daily in their dealings with customers.

should be separated. To do so will save insurance premiums and not endanger credit. The savings can be applied to other protection needed.

A knowledge of the technique of insurance for "betterments and improvements" reduces rates. The occupant of a building owned by another individual has spent considerable money on improvements and naturally has an insurable interest in such improvements, but the interest diminishes gradually until at the end of the term of the lease he has no further interest, the ownership then passing entirely into the hands of the building owner. Therefore, instead of including the value of *improvements and betterments* in your stock and fixtures policy you should make an arrangement with the owner of the building to cover the improvements and betterments under a separate policy issued to him and yourself, as your interests may appear. Then if those improvements and betterments are damaged or destroyed at the time when your lease is just half completed, one-half of the proceeds from the insurance would be yours and the other half belong to the building owner. By making this arrangement you can have the building owner pay for part of the insurance cost in the proportion which the owner's interest in the improvements and betterments would bear to the amount of insurance.

Coverage Equal to Value

It is important to keep the amount of insurance equal to the full value of the property, or at least to 80

per cent. or 90 per cent. of the value of the property, depending on the percentage of coinsurance which is incorporated in the policy. To do so means to save money through insurance. Where values do not fluctuate materially it is no difficult matter to keep your fire insurance up to your protective needs. Where the values do fluctuate widely, it is perhaps a little harder to keep within the requirements at all times, but this can best be accomplished by designating that some one person in your employ act as insurance manager and make it part of his duties to see that you have adequate fire insurance at all times. It is the duty of your insurance agent to assist you in your insurance matters and you should call upon him any time that you require advice or information on any of your insurance problems. To neglect it means to neglect your credit.

Aside from the recommendations mentioned above which will materially reduce the cost of insurance the point of having proper insurance protection should be emphasized. If you follow your fire insurance matters closely and see that they are adequately protected at all times you will not regret the additional cost.

The greatest saving in insurance cost can be effected through the proper control of fire insurance hazards on the premises and *on neighbor's premises*. Read this last line over twice.

Did you ever secure from the rating authorities a statement of just how your fire insurance rate is arrived at? Such a statement may be had for the asking and is called the rate "make-up" or the analysis of rates. It shows in very plain language what the base rate for the property is and from that figure are built up various charges for deficiencies and there are also shown credits for improvements about the property. In that analysis of rates you will probably see many deficiencies from an insurance point of view which can be corrected and which will probably eliminate some of the charges made

(Continued on page 21)

The Cyclopeedy

By Eugene Field

HAVIN' lived next door to the Hobart place f'r goin' on thirty years, I calc'late that I know jest about ez much about the case ez anybody else, now on airth, exceptin' perhaps it's ol' Judge Baker, and he's so plaguey old 'nd so powerful feeble that he don't know nothin'.

It seems that in the spring uv '47—the year that Cy Watson's oldest boy wuz drowned, in West River—there come along a book agent sellin' volumes 'nd tracks f'r diffusion uv knowledge, 'nd havin' got the recommend of the minister 'nd uv the select men, he done an all-fired big business in our part uv the county. His name wuz Lemuel Higgins, 'nd he wuz ez likely a talker ez I ever heard, barrin' Lawyer Conkey, 'nd everybody allowed that when Conkey wuz round he talked so fast that the town pump ud have to be greased every twenty minutes.

One of the first uv our folks that this Lemuel Higgins struck wuz Leander Hobart. Leander had just marr'd one uv the Peasley girls, 'nd had moved into the old homestead on the Plainville road—old Deacon Hobart havin' give up the place to him, the other boys havin' moved out West (like a lot of darned fools that they wuz!). Leander wuz feelin' his oats jest about this time, 'nd nuthin' wuz too good f'r him.

"Hattie," sez he, "I guess I'll have to lay in a few books f'r readin' in the winter time, 'nd I've half a notion to subscribe f'r a cyclopeedy. Mr. Higgins here says they're invaluable in a family, and that we orter have 'em, bein' as how we're likely to have the fam'ly bime by."

"Lor's sakes, Leander, how you talk!" sez Hattie, blushin' all over ez brides allers does to heern tell uv sich things.

Waal, to make a long story short, Leander bargained with Mr. Higgins for a set uv them cyclopeedies, 'nd he signed his name to a long printed paper that showed how he agreed to take a cyclopeedy oncet in so often, which wuz to be ez often ez a new one uv the volumes wuz printed. A cyclopeedy isn't printed all at oncet, because that would make it cost too much; consekently the

Instalments, Old Style

INSTALMENT Buying is an up-to-date subject for discussion in 1927 wherever credit managers are gathered together. It is not exactly a new subject however. Some forty years ago it attracted the attention of one of America's greatest humorists. "The Cyclopeedy" from "A Little Book of Profitable Tales," copyrighted in 1889 by Eugene Field, published by Charles Scribner's Sons, New York, is reprinted here by arrangement with that house.

man that gets it up has it strung along fur apart, so as to hit folks oncet every year or two, and gin'rally about harvest time. So Leander kind uv liked the idee, and he signed the printed paper 'nd made his affidavit to it afore Judge Warner.

The fust volume of the cyclopeedy stood on a shelf in the old seckertary in the settin'-room about four months before they had any use f'r it. One night 'Squire Turner's son come over to visit Leander 'nd Hattie, and they got to talkin' about apples, 'nd the sort uv apples that wuz the best. Leander allowed that the Rhode Island greenin' wuz the best, but Hattie and the Turner boy stuck up f'r the Roxbury russet, until at last a happy idee struck Leander, and sez he: "We'll leave it to the cyclopeedy, b'gosh! Whichever one the cyclopeedy sez is the best will settle it."

"But you can't find out nothin' 'bout Roxbury russets nor Rhode Island greenin's in our cyclopeedy," sez Hattie.

"Why not, I'd like to know?" sez Leander, kind uv indignant like.

"Cause ours haint got down to the R yet," sez Hattie. "All ours tells about is things beginnin' with A."

"Well, aint we talkin' about Apples?" sez Leander. "You aggravate me terrible, Hattie, by insistin' on knowin' what you don't know nothin' 'bout."

Leander went to the seckertary 'nd

took down the cyclopeedy 'nd hunted all through it f'r Apples, but all he could find wuz "Apple—See Pomology."

"How in thunder kin I see Pomology," sez Leander, "when there ain't no Pomology to see? Gol darn a cyclopeedy anyhow!"

And he put the volyume back onto the shelf 'nd never sot eyes into it again.

That's the way the thing run f'r years 'nd years. Leander wouldn't gin uv the plaguey bargain, but he couldn't; he had signed a printed paper 'nd had swore to it afore a justice of the peace. Higgins would have had the law on him if he had throwed up the trade.

The most aggravatin' feature uv it all wuz that a new one uv them cussid cyclopeedies wuz allus sure to show up at the wrong time—when Leander wuz hard up or had jest been afflicted some way or other. His barn burnt down two nights afore the volyume containin' the letter B arrived, and Leander needed all his chink to pay f'r lumber, but Higgins sot back on that affidavit and defied the life out uv him.

"Never mind, Leander," sez his wife, soothin' like, "it's a good book to have in the house, anyhow, now that we've got a baby."

"That's so," sez Leander, "babies does begin with B, don't it?"

You see their fust baby had been born; they named him Peasley—Peasley Hobart—after Hattie's folks. So, seein' as how it wuz payin' f'r a book that told about babies, Leander didn't begredge that five dollars so very much after all.

"Leander," sez Hattie one afternoon, "that B cyclopeedy aint no account. There aint nothin' in it about babies except 'See Maternity'!"

"Waal, I'll be gosh darned!" sez Leander. That wuz all he said, and he couldn't do nothin' at all, f'r that book agent, Lemuel Higgins, had the dead wood on him—the mean, sneak-in' critter!

So the years passed on, one of them cyclopeedies showin' up now 'nd then—sometimes every two years 'nd sometimes every four, but allus at a time when Leander found it

(Continued on page 28)

Credit Women Form Groups

In Order That All May Be Represented

By E. C. Martin

ALTHOUGH there seems to be no immediate possibility that a "National Association of Credit Women" will soon be organized, the women credit executives and assistants to credit managers throughout the National Association of Credit Men in the past few years have become increasingly

that great essential, *the capacity for study.*

"Secondly, woman's intuition is not a mere figure of speech: it is a human fact. Women are frequently finer in their perceptions than men. In credit work they often can and do exercise intuition beyond that of which the average credit man is capable.

"Another point is that the woman handling credits is especially eager and conscientious in getting all the facts, and nothing but the facts.

"Indeed, she labors under but one disadvantage, in my opinion. That is the fact that in going out among the people to whom she is extending credit, persuading creditors to submit statements, when they are reluctant to do so, bringing pressure to bear, showing merchants how to better their business methods, she is sure to have more difficulties to overcome than a man of equal ability would have.

"This difficulty she will gradually overcome, however, just as practicing women lawyers and physicians are overcoming similar disadvantages in their professions."

In spite of the fact that the women credit managers are even more numerous than when the paragraphs above were written, and perhaps some of the disadvantages Mr. Tregoe mentioned have already been overcome, the woman credit manager is still rare enough to be unusually interesting as a group in the National Association. For several years past there have been meetings of women delegates at the annual Convention, notably the Credit Women's Breakfast held in Washington in 1925 and in New York last year.

The breakfast meeting at Washington was organized by Miss Florence E. Banks of the Los Angeles Soap Co. About forty women credit managers were present. The New York event was held at the Hotel Commodore under the chairmanship of Miss Grace H. Baker. There were brief addresses by W. H. Pouch, Mrs. Pouch, who has shown a keen interest in the activities of the

women credit manager group, William Fraser, J. H. Tregoe, and William Walker Orr.

Until the latter part of 1926, no effort extending throughout the National Association of Credit Men had been made to recognize women credit managers as a somewhat specialized group with common interests, or to



MISS L. M. GUTH

Resting from her labors as a busy Credit Manager and Ladies' Committee Chairman

conscious of themselves as a group. The woman credit manager has grown to be less rare and strange than she was, for example, in 1910. This was brought out in an article by Executive Manager J. H. Tregoe, published in 1920 in the CREDIT MONTHLY. After commenting on the fact that ten years before that time there were only sporadic cases of women in credit work, Mr. Tregoe, discussing the reasons for the success of the woman credit manager, and also the disadvantages under which she worked, said:

"There are good reasons why the Credit Woman has been able to establish herself securely in the credit world. She has devoted herself in a conscientious and painstaking way to the details of the work as well as to its broader aspects. She has shown



MR. AND MRS. W. H. POUCH

On the Western trip made by Pres. Pouch during which he visited 19 local Associations.

provide for opportunities within the local associations themselves to encourage the exchange of ideas among members of the group.

A definite step in this direction was taken when, at the suggestion of President Pouch, Ladies' Committees were organized in each of the three divisions of the Association. Mr. Pouch brought his idea for this organization before the Board of Directors at the Atlantic City meeting in September, 1926, where the appointment of such committees was approved by the officers and directors present.

That this suggestion was the result of a real interest on the part of the women members of the Association has been shown by the activities

(Continued on page 22)

The Foundation Year

Of American Finance and Credit—1896

By J. H. Tregoe

Executive Manager, National Association of Credit Men

This is the fifth article in Mr. Tregoe's series on "The Beginnings of a Great Movement". He mentions the organization of the several local associations which immediately preceded the founding of the N. A. C. M., and brings his narrative down to June 23, 1896, the birthday of the Association.

AT the close of 1895 an improved Treasury situation was disclosed. There had accumulated in the Treasury a comfortable surplus of legal tenders, and holding this convertible paper within the Treasury gave some protection to its stock of gold.

Trade conditions at the close of 1895 showed some little improvement over the preceding year, but could be rated as no more active than at the close of 1891. This sluggishness in trade movements prevailed despite a larger outstanding supply of paper money.

The Venezuela affair, that occurred toward the close of 1895, caused another movement westward of securities held abroad, and the Treasury was again tapped for gold. The situation, however, differed considerably from former situations in that such a large volume of legal tenders, convertible into gold, had been impounded in the Treasury.

The year 1896 dawned on this country with a promise that no prophetic eye could discover. It was little thought that within the bosom of this year rested some of the most stirring events in American finance, and now foundation stones would be laid for a structure that would challenge eventually, in its tremendous credit proportions, the admiration of the world.

At the threshold of 1896 the national income as figured monthly was still trailing behind disbursements at an uncomfortable rate. With gold being withdrawn from the Treasury, and again falling below the legal reserve, the Administration on January 6 announced a loan of \$100,000,000

to be raised by popular subscription. The announcement of this loan revealed a new spirit in the people. Enthusiasm was roused, and when all of the individual bids were in and counted they amounted to 4,640 for a total sum of \$568,000,000.

To the sound money advocates—and on the silver question there was still a bitter dissension—the success of this loan seemed to be the dawning of a better day for American finance.

A great deal of elation over the success of the loan passed through the body of business; but the Treasury problems were not solved, and the gloom by no means dispelled.

As usually happens in a period like this, conditions were very much confused and there was no telling what direction trade movements would take.

The silver lining of a long drawn out cloud was approaching. Cautious confidence was discernible in some directions and a steadier hand was given to the administration of business, despite the vexatious question of what we would do with the silver question, and an exceedingly large number of commercial failures.

Banking Situation Improves

The National Banks, along in the year, began to show a little increase in deposits and loans. The check clearances indicated better trade movements than at any time since 1894, but we had not yet equalled the trade and credit movements of 1891.

Commercial failures were averaging about 1200 per month. The liabilities were larger, on the average, than were the failure liabilities of 1895, and for the entire year it is conservative to estimate the net credit loss at \$300,000,000.

The National debt in 1896 stood at \$901,000,000 after deducting the cash in the Treasury.

We begin to discover also, along in the year, an upward movement in the prices of farm properties and the total produce of the farms.

The production of coal was showing some increase.

Copper production was expanding, because the use of electricity was becoming popular.

Petroleum was registering an increased production.

Pig iron was advancing rapidly in output, and steel was being produced in larger quantities.

The output of our factories in 1896 showed a slight gain, on the whole, over the preceding year, and a wider spread was noticeable in our exports and imports.

We were evidently setting the stage for the opening scene of the most wonderful drama of commerce our people had ever witnessed. Human powers could not foresee what destinies were involved in the opening scene of this drama, and what 1896 promised to American business and finance.

There occurred at this time two extremely interesting phenomena, which played their parts in every scene of the drama about to be staged.

First, there was an unusual production of gold in 1896. Slight increases had been recorded in previous years, after a long decline in gold production. 1896 recorded a production of gold 50 per cent greater than the production of 1892, and it amounted to \$202,000,000. This production continued to mount through 1898.

The second phenomenon was a stoppage in the downward trend of prices. The upward movement in prices did not begin until 1897, but the nadir was about reached in 1896, and this was a most significant event in the year's economic history.

It is unimaginable today that prices were so very low in 1896. Wheat ranged about fifty cents a bushel and cotton sold below six cents a pound. The year was distinguished by low prices, low wages and low incomes.

Fierce Campaign

In the midst of these currents and cross currents, that make the year

difficult to interpret in all of its parts from a distance of three decades, a Presidential election broke, which was one of the fiercest fought in all of our political history. The irconcilable proponents of free silver would not yield an inch. The sound money advocates had taken on new heart by the year's events, and so the issue in the political arena of 1896 was clearly defined.

At the Chicago Convention of the Democratic party a young Congressman from Nebraska thrilled the assembly with an oration in behalf of free silver, that caught the Convention by contagion and gave him the Presidential nomination. This oration of William J. Bryan was made in his thirty-sixth year, and the prominence it brought him continued until his death in 1925.

There was a breaking away of an element in the Democratic party that opposed the free coinage of silver, and this wing of the party nominated for its standard-bearer the highly thought of General Simon B. Buckner, of Kentucky.

McKinley Nominated

The Republican party nominated William McKinley of Ohio, whose record on the silver question was not entirely free of criticism, but he stood on the sound money platform, and after a political battle that will never be forgotten by the men of those days, Mr. McKinley was elected President of the United States by a comfortable majority in the Electoral College.

While weaving the story of the two previous decades and what they unfolded in our industrial and financial development, every now and then I endeavored to give my readers a glimpse of an undercurrent flowing toward one of the most distinguished events of 1896. I must now pick out this current from among the many currents and cross currents of the period, and running back just a little while, reveal the forward impulse of a movement that would see its fruition in a credit power that has served so well the building of our industrial supremacy, and the rapid increase of our capital and wealth.

I am now going to tell this story and describe the movements directly related to the organization of the National Association of Credit Men in 1896.

The N.A.C.M. Founded

THE history of the buried cities of the past is not more difficult to unearth than is an intimate knowledge of credit thought and activities antecedent to the last decade of the Nineteenth Century.

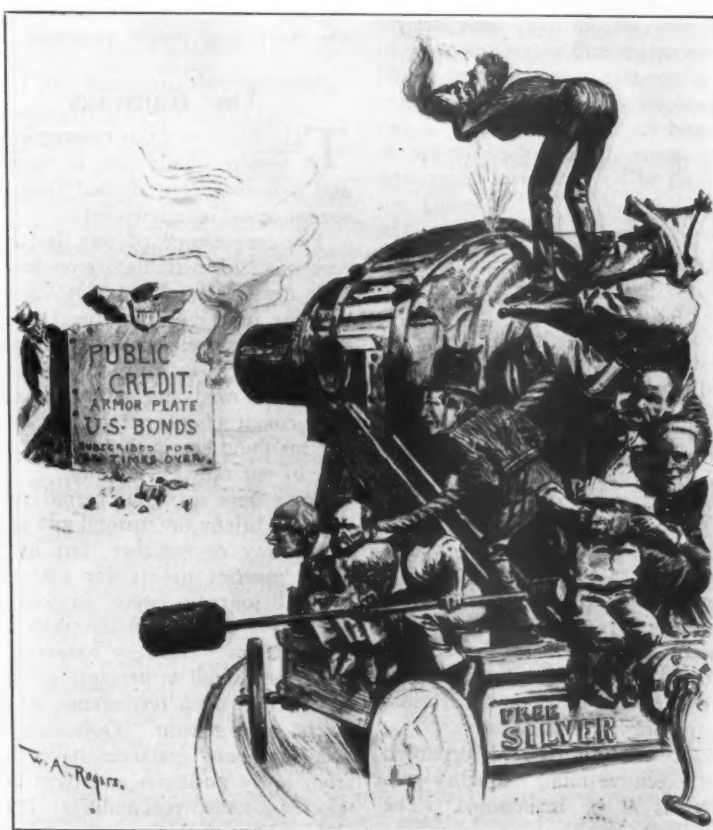
Credit was used and abused, and it was not understood. There was some groping toward better conditions in credit intercourse and the respect of credit contracts discernible in the 'Eighties, but there is very little of record. There was a feeling at that time that Congress should enact a bankruptcy law; and Judge J. L. Torrey of Wyoming became interested in the project. I am led to believe that this active proponent of bankruptcy legislation, whose efforts were eventually to be rewarded, began his campaign in 1884, but nothing came of his endeavor. Only a man

of exceeding determination would have pursued the matter with the faithfulness he did, from Congress to Congress.

The first event in the evolution of a credit technique that I can dig out was a "Congress on Credit, Collections and Failures", held in the Art Institute, Chicago, and presided over by P. R. Earling of L. Gould & Company, Chicago. This Congress was one of a series arranged by several prominent business men of Chicago, devoted to business, and held in connection with the World's Fair of 1893. Congresses on various important subjects were featured as a part of the World's Fair program, and happily credit was granted a place.

What actually transpired at this Congress I am unable to give in detail, but W. H. Preston of Sioux City, who became the first President

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THE SHOT THAT FAILED

"The success of this loan [of 1896] should dispel every doubt as to the ability and intention of the U. S. Government to redeem all its obligations in the best money in the world," said a N. Y. Chamber of Commerce resolution of Feb. 6, 1896. A like sense of relief and congratulation was expressed by the celebrated cartoonist W. A. Rogers in the above picture on the cover of Harper's Weekly for Feb. 15, 1896.



The Credoscope

J. H. Tregoe

Quality Credits

IN a recent address on credit, this terse and striking statement was made: "We should be more concerned with the quality of credit, rather than with its quantity. Facilities for moving credit are a welcome addition to our economic equipment, but we must make sure that the credit which is dealt in is sound and not adulterated."

If some of our very busy dealers in production and marketing were to run across this statement, they would applaud its sentiment but fail to understand its full significance. I can fancy some distinguished leader at the head of his enterprise addressing a staff conference, and it would not be beside the mark to charge him with some such exhortation as this: "We are not concerned about credit, what we want to do is sell the goods!" There might come to the cheeks of this executive a little flush were he asked what made his factory possible. Was it his genius, a demand for the product, or some element that wove itself into the entire enterprise, making possible capacity production by increasing the powers of consumers to buy?

It is just as appropriate for us to say we are not concerned with what our forefathers wrought, that what we want to do is make the best of our times—as though what happens now did not spread its roots back into the very origin of the Nation.

Quality credit must be safeguarded in the executive mind if quality production is to be maintained. The one cannot be divorced from the other, and any effort to sweep aside the credit element of the question produces no better result than to wrench an arm from the human body. There may be more exhilaration in producing and marketing goods than in making quality receive-

ables, but there is no profit in a business unless what is produced and marketed is converted into receivables of the quality type.

Credit adulterated and lacking quality is the most dangerous thing that any business may create. The explosiveness of it is recorded in the annual wreckage each year. This brings to the careful observer the depressing realization that much of the damage could have been avoided by the exercise of proper prudence.

Our Railways

THE history of our railway development reads like a romance and it is too often studied from the sordid or selfish viewpoint.

The cornerstone of our first railway was laid in Baltimore on July 4, 1828, by Charles Carroll of Carrollton, the first signer of the Declaration of Independence. Pioneering was the early task of our railways. Trade followed and rarely preceded their construction and the history of our far-flung empire is largely a history of our railway building.

Space here does not permit relating even briefly the turmoil and pains of railway competition; but in the early 'nineties tickets for transcontinental journeys were hawked on the streets of western terminals and receiverships were very common.

As they stand at present, our railways are striking testimonials of efficient management. Operating officials in many instances have risen from lowly positions and have been selected for their real abilities. It has always been difficult, and would always be in a republic like ours, to keep the railways out of politics; but we had a taste of Federal control during the Great War and it was a taste that left no pleasant flavor.

At the close of 1926, our audit of the Nation's utilities revealed a con-

dition in the railways for which we can be very thankful, not only for their utility, but also as expressing vividly what able management will do in the face of difficult problems. The figures for 1926 are not just now available, but in 1925 the railways paid three times as much in taxes as they did in 1913. The taxes of 1925 amounted to nearly one million dollars a day. As one writer puts it: "The railroad taxes of 1925 would have nearly paid the cost of all the state police, sheriffs, municipal police and firemen in the United States." When we step on to one of our palatial trains, the imagination is staggered to recall that at the beginning of the Nineteenth Century all long-distance traveling was done by stage, and six days were required to convey a passenger from New York to Boston. It took two months for a letter to travel from Richmond, Va., to New York. This shows vividly the great advances made in railway transportation and how these advances went along arm with arm with our industrial development. During 1926 more railway mileage was built in the United States than in any year since 1916. The railways expended in capital improvements \$875,000,000. Car loadings, week after week, exceeded a million cars, and the movement of freight was so carefully and expeditiously controlled that congestion seldom occurred, commodities were conveyed quickly, and the cautious buying of goods could thus be done under facilities that otherwise would not have been possible.

The net operating income of Class 1 railroads has not yet reached, on an average, $5\frac{3}{4}$ per cent. in any year since the passage of the Federal Transportation Act. For 1926 the net income of these railroads is estimated at 5.21 per cent., about $1/10$ of one per cent. less than the net in-

come of 1920.

The value of efficient railroad transportation cannot be over-estimated. Efficiency should be the guiding principle of railway administration; and politics should play no part in the ownership and control of our carriers. There must be cordial co-operation between railways and shippers, and intelligent understanding of what this co-operation can accomplish in larger returns for those who own the railways and who have placed their money at the risk of their success.

The history of 1926 in this field offers encouragement. May nothing hinder the usefulness of our railways, the efficiency of their control, the fair treatment they deserve and a reasonable return to their owners.

An Old Declaration That Stands Good Today

IN a magazine published 32 years ago for the lawyer and credit man I ran across this significant paragraph:

"The world is looking for the man who can aim at the mark and hit it; the man who can reach the goal in time to secure the prize; the man who can bring things to pass; the man who can crystallize thought into action."

When this statement appeared, our country was in the throes of very serious economic problems. It was a time of genuine distress to the United States treasury, when the suspension of gold payments seemed imminent, when our entire banking resources were not one-eighth of what they are today. Men were men, however, in those days. And men of action were sought for; men of genius had their particular parts to play. Problems are solved and difficulties are overcome when men of capacity and of vision are in the leadership. Nothing exceeds in importance the integrity and the masterful qualities of a nation's manhood. The appeal for men of action 32 years ago was no more appropriate than is the appeal today. We have passed from poverty into surpassing riches; we have converted opportunities into wealth; we have striven forward with a pace that has astonished the world. Can this advance be retained without vigilance? Can it be used as the base of further advances without action? Can the wealth given to us be properly used

without a true sense of our trusteeship and a continual hitting at the mark?

Give us men, and we will show you wealth. Give us men, and we will show you progress. Give us men, and we will show you victory over obstacles. It isn't merely wealth, position, competency we should strive for, but the building of manhood that will be sound and straight—a manhood amenable to good conscience with a sense of obligations to other men. With an eye to these human faculties, material things will undoubtedly be added to us.

The Nation cannot be bigger than its men; it can be no more far-reaching than its manhood; it cannot accomplish eternal results without the character and the integrity on which the man of action must rely. This is not just a sentiment or fancy but a statement of fact the reality of which we find as we burrow into the origins of the Nation's present supreme position.

The Account Receivable

CONVERTING merchandise into book accounts, without any other evidence of the debt, is an American trade custom. It contains many pitfalls. As a receivable, the open book account is the least usable and shrinks faster than almost any other asset in the liquidation of a business. The value of this type of receivable depends largely upon the character of its creation and whether or not it represented a transaction that measured up fully or partially to the three C's of Credit,—Character, Capacity and Capital. It is pitiful that, when so many small retail establishments get into trouble and have to be liquidated, their receivables are worth almost nothing. The book account as a receivable—speaking now of the commercial receivable—is a piece of property although in itself the receivable merely represents and is not of itself a value.

Upon careful observation I am inclined to believe that credit managers are too generally concerned with the making of the receivable rather than with the preservation of its integrity and liquidating capacity after the delivery of the goods and a recording of this delivery in the form of an open book account. Nothing could be treated worse than are these commercial receivables when they fail to liquidate according to promise

or where their insolvency is in peril. They are thrown about right and left, given to agencies for collection and adjustment without knowledge of those into whose hands they will go. The lack of touch between the Credit Department and its outside representative in handling the receivable—the lack of knowledge as to the integrity and the skill of the representative—these are costing business a large sum of money and causing dissatisfaction in credit departments against the Bankruptcy Law and other commercial laws. Yet the real crux of the trouble is the loose manner in which the receivables have been handled.

The open book account has been adjudicated as an evidence of a debt that can be assigned or transferred, but, unlike a negotiable evidence of a debt, the transfer is not complete and binding against everyone by endorsement and delivery. The receivables of a concern are important usually to its solvency and the assignment or transfer of receivables without some form of publication, and in a form that we call secret, is contrary to sound credit practices.

Though we have spoken of this on several occasions, recent events suggest that it should again be presented in an emphatic way. We are investigating now an enterprise of suspicious practices owing a quarter of a million dollars. The book accounts representing these sales were sold to finance companies at high service rates. It is not right legally to permit such pitfalls to exist. The trend of modern business and the complexities of modern credit urge in the strongest way a four-square policy with debtors and the preservation of receivables as an asset of their business, not to be disposed of without direct or constructive notice to their creditors.

Executives in production and marketing can afford to give a little thought, in conjunction with credit executives, to the value of their receivables. Receivables should be of a quality type and maintained in a quality fashion. They should not be trifled with, juggled, disposed of at high service rates in a secret way. They must be recognized as among the chief assets of the average business concern, and as intangibles subject to quick shrinkage, they should be watched with even greater care than is bestowed upon visible assets.

Uncle Sam and the N.A.C.M.

Co-operate to Put Credit Crooks Out of Business

By Maxwell S. Mattuck

Counsel-Director, Eastern Division Credit Protection Department, N.A.C.M.

ONE of the outstanding features of the drive on commercial crime undertaken by the National Association of Credit Men through its Credit Protection Department is the responsive attitude adopted by governmental agencies and the splendid co-operation given by their investigating staffs.

The bulk of the work with which the National Association is concerned is handled by two branches of the Federal Government, the Post Office Department and the Department of Justice. The Postal branch, through its inspectors, concerns itself solely with crimes involving the use of the mails to defraud. Cases which commonly come under its jurisdiction are those in which the mails are used for sending false financial statements and those which involve schemes to defraud founded upon the use of trade names similar to the names of reputable, well founded concerns as a means of obtaining credit.

The greater part of the bankruptcy crime which the National Association's investigators take an active part in solving comes within the jurisdiction of the Department of Justice. The marked activity shown by this department in combating fraudulent bankruptcies and its interest in the Association's work are most assuring to the credit fraternity.

This pronounced activity of the

Department of Justice men is undoubtedly the result of the increased interest being shown by creditors themselves in the prosecution of the bankruptcy crook.

Crooks No Longer Safe

The development of a confidence in the motives of the credit men's organization has resulted in a co-operation between this Association and the various governmental agencies which bodes ill for the crooked merchant who heretofore has been comforted in his criminal work by the assurance that a credit community which showed scant interest in his prosecution and an overburdened governmental agency would unwittingly permit him to commit his crime in comparative safety.

The close co-operation between the Federal authorities and the National Association is well illustrated by the cases cited in the bankruptcy section of the United States Attorney General's report for the year ending June 30, 1926, (page 106). The report gives in detail three cases; and in all of them the Credit Protection Department of the National Association played prominent roles.

The Cohn case, the first mentioned, involved a jewelry swindle in which Hyman Cohn was found to be short in his accounts approximately \$2,000,-

000. He was apprehended and some \$700,000 worth of jewelry was recovered. In this case one of the defrauded creditors appealed to the National Association of Credit Men whose investigators, with the aid of the Federal Department of Justice, prepared the evidence and pressed the case in the Federal courts against suspects who had escaped punishment in the State courts.

In the *Thomas case*, the second one mentioned in the report, two attorneys were convicted and sentenced to serve a year and a day each in the U. S. Penitentiary at Atlanta for aiding and abetting Pete Thomas, of Dublin, Georgia, in concealing assets. The Credit Protection Department prepared the prosecution of this case, as it did the case of William Birnbaum and Irving J. Mills, the third one mentioned.

This action was typical of the many knotty cases the Association investigators are called upon to unravel by able detective work. *The Theda Dress Company*, the concern involved in the action, started in business in New York with a bank account of about \$12,500 in Liberty Bonds. After the company failed, the investigators working on the case secured the numbers of the bonds from the bank and traced them through the Treasury Department to a brokerage

(Continued on page 29)



MAXWELL S. MATTUCK AT HIS DESK AT ONE PARK AVENUE, NEW YORK

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ASK YOUR BANKER

Look upon him as your Business Counsel

Ask your banker. Men in every kind of business respect his judgment. His ripe experience makes his counsel invaluable. During the whole of his business career he has been intimate with the most progressive methods of business and accounting—with every short-cut to efficiency. He is the man most competent of all to advise you on your figure-problems whether your business is large or small.

Ask your banker. He knows the value of having before you accurate figure-facts every day. He knows the advantages of modern figuring equipment and methods. Probably your banker will advise you to consult the local Burroughs man. For 98 per cent of the banks themselves find Burroughs machines the most dependable, accurate and labor-saving—a dividend paying investment. Ask your banker.

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What Have We in Common?

N. A. C. M. Heartily Co-operating With Retailers

By Rodman Gilder

Editor of the CREDIT MONTHLY



J. J. HINCHMAN

AN advertising man of my acquaintance was holding forth. "I can't see how the retail credit manager and the wholesale credit manager have anything in common except that they may both be fond of baseball or of children or both.

"One of them is dealing directly with the public,—with a flock of miscellaneous customers, ranging from millionairesses to shop-lifters. He has to make most of his decisions at lightning speed. The vast majority of his customers are people who have little or no business experience and have not even the most rudimentary ideas of what credit really is.

"The wholesale credit manager is sometimes up against individuals inexperienced in business but for the most part he has to do with business men. These people have their own credit problems and understand fully how vital it is for a business to have a minimum of past due accounts.

"How in the world can the wholesale and retail credit managers co-operate?"

As the advertising man talked, I was particularly glad that I had been privileged to attend the joint meeting on February 8, held in New York, of a special committee of the Retail Credit Men's National Association and the Committee on Co-operation with Other Associations of the National Association of Credit Men. Holding him firmly in his chair, I proceeded to describe this meeting to

my friend, the advertising man, somewhat as follows:

The retailers were well represented by J. R. Hewitt (Chairman), The Hub, Baltimore, Md.; Sidney E. Blandford, Superior Finance Service, Chauncey St., Boston; Justin H. Edgerton, James McCreery & Co., N. Y.; Ed. H. Manahan, Manahan, Inc., 280 Boylston St., Boston; Stephan H. Talkes, Associated Retail Credit Men, Washington, D. C.

The N. A. C. M. was equally well represented by J. J. Hinchman (Chairman), Underwood Typewriter Co., N. Y.; J. H. Tregoe, Executive Manager, N. A. C. M.; E. P. Bailey, National Airoil Burner Co., Philadelphia; Arthur Blanchard, London Guaranty Accident Co., N. Y.; Clinton Beck, Hunsicker & Co., Allentown, Pa.; Frank C. Demmler, Demmler Bros. Co., Pittsburgh. In attendance also were F. S. Hubbell, Manager of the Public Relations Department, N. A. C. M., and Secretary of the Committee on Co-operation With Other Associations; E. Paul Phillips, Manager of the Adjustment Bureaus Department, N. A. C. M.

Several men bore witness that excellent results had been attained by joint meetings of members of the two national organizations in various cities where the two bodies have local units. It has worked out well to have the local associations alternate as hosts of the meetings. The subjects taken up were naturally chosen to interest both groups of credit managers and topics of narrow interest were avoided.

Can You Invent a Slogan?

THE CREDIT MONTHLY has been asked to broadcast a call for a slogan, based on the idea "Pay your bills promptly!" suitable for both the N. A. C. M. and the Retail Credit Men's National Association.

Send your suggestions to the CREDIT MONTHLY, One Park Ave., New York.



Bachrach, Photo.

J. R. HEWITT

Credit Education

Mr. Hewitt, by virtue of the fact that the retail organization was the host, (as Mr. Hinchman had been at the previous meeting of the Joint Committee) urged the promotion of credit education in the public schools. After a discussion, the committee reaffirmed a former resolution in favor of putting on a credit education program for high school and grammar school students in the cities where the two national organizations had local units. Appreciating the need for formulating a practical and workable program that could be recommended to all of the local associations, the chairman appointed Messrs. Blandford and Manahan to represent the R. C. M. N. A., and Mr. Bailey and Dr. Fall to represent the N. A. C. M. as members of a committee to work out a plan for a credit education program. It was suggested that this committee confer and select from among themselves a chairman. This recommendation was unanimously approved.

In the discussion of the subject, the advisability of conferring and co-operating with school authorities was strongly stressed.

Basing his remarks on long experience as a lecturer on credit, Mr. Blandford said that a most important work would be the teaching of credit subjects not only in high schools but in colleges. He said that new edu-

(Continued on page 26)

Credit Department Speed

(Continued from page 8)

a separate credit file, because it eliminates the danger of one department's carrying on correspondence with a customer without knowing what his relation to another department may be.

Where there are a great many accounts, the only way to keep the folders in good order is to use the numerical method. A visible index, with this system, shows each customer's number, and the filing clerk can locate this number in a second or two when called upon for any particular file. In fact, she may be able to give the number without looking it up, for the girls who handle the files soon come to know the number of more important customers.

In giving his department a complete overhauling, a credit manager will often find that, in addition to improving his equipment, he can increase office efficiency by consolidation of various forms. I believe that the efficiency of an office depends on (a) the installation of accounting machinery wherever it can be used to advantage, (b) the combination of different forms of one blank and (c) the elimination of all unnecessary detail and the routing of work so that it can follow smoothly from one department to another.

Low Premium and Safe Credit

(Continued from page 11)

in the analysis without cost.

Some of the other improvements recommended might involve the expenditure of some money but with the collaboration of your agent and perhaps the representative of the company which carries the insurance you can easily determine just how far you want to go towards improving the property in order to secure a reduction in rate. Right here a few recommendations may be made which can be followed without cost although enabling an inspector of the Rating Office to view the premises more favorably.

In the first place the insurance inspector secures an unfavorable impression if any stock you may be handling as an accessory is not arranged in an orderly fashion, especially stock in packing cases or boxes.

(Continued on page 23)



The Acid Test of Credit

ONE of the cardinal principles upon which the credit man must base his decisions is *the ability to pay under adverse conditions*.

Every business is beset by many hazards, any one of which may suddenly jeopardize all the resources of the organization. Through insurance, however, the possibility of loss is minimized.

But this insurance protection must be *adequate*. All the hazards must be known and covered. In some instances the problem is an easy one, in others, exceedingly complicated.

THE ÆTNA PLAN OF INSURANCE AND BONDING PROTECTION

THIS PLAN comprises a survey of the "exposures" and the existing protection, together with pertinent expert recommendations for a well-rounded program of security.

Any business house, or individual, may have this advisory service, without obligation, merely by getting in touch with the local Ætna-izer.

If you will request it on your business stationery, we will be glad to give you further information and sample copies of the Ætna Chart.

ÆTNA LIFE INSURANCE CO

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Add Protection

to reputation and rating. The man with his records adequately protected is a better credit risk.

Meilink Built Steel Safes afford better protection because they are structurally strong. Note this torsion bar—one of four in every Meilink Built Steel Safe. This torsion bar is one of the features of Meilink construction that keeps the safe square and the doors tight under severe strain in falls.

Ask a Meilink dealer to show you the other Meilink features. Learn the reason of our record of better protection—50,000 Meilink Built Steel Safes in use and only one known fire loss.

The Meilink Steel Safe Co.
Toledo, Ohio

Better Protection
MEILINK
BUILT SAFES

Credit Women Form Groups

(Continued from page 13)

of the newly formed Ladies' Committees. The Ladies' Committee from the Eastern Division of the N. A. C. M. met at luncheon at the Hotel Vanderbilt, New York, on December 1, 1926, with Miss L. M. Guth, chairman of the Committee, and credit manager of the Plaza Music Co., presiding. The members of the Committee present were Miss Grace H. Baker, of G. T. Firth, Scarsdale, N. Y.; Mrs. B. F. Carroll, Richard Hudnut, New York; Mrs. Jean N. Cushing, Weitzel Lumber Co., Philadelphia; Miss K. A. Griffin, Rochester Electric Supply Co., Boston. Officers of the National Association were represented by W. H. Pouch, President; J. H. Tregoe, Executive Manager; F. S. Jefferies, Eastern Division Manager, and secretary of the meeting; Rodman Gilder, editor of the CREDIT MONTHLY, and H. E. Chasmar, field representative of the Eastern Division.

Bringing Out the Assistant

The discussion at this meeting centered around ways of obtaining the names of women credit managers and their assistants, in order that all women doing credit work should be known and represented in the Association, or the Ladies' Committee. It was brought out that in many cases, women credit managers or assistants were actually handling credits, but that men were representing their firms in the Association. It was recommended at the meeting that the Ladies' Groups should comprise not only representatives of their concerns but also assistants in credit departments, in order to arouse interest in the group movement and make them better members of their profession, should they later become heads of their departments and candidates for direct membership in the National Association of Credit Men.

It was resolved that one of the principal objectives of the Ladies' Group would be membership in the groups and the local associations, and that "the program of the groups should be chiefly educational. The term 'educational' means imparting information relative to credit work that will assist those who are devoting their time to credit work, and also as a source of information on

subjects of general interest that bear on credits."

The Ladies' Committee of the Eastern Division has a regular program of monthly dinner meetings with a speaker. Officials of the New York and National Associations are always present. William Frazer, president of the New York Credit Men's Association and Mrs. Frazer frequently attend. Various interesting aspects of credit work are usually discussed at these meetings.

The Ladies' Committee of the Western Division of the N. A. C. M. came to the fore recently, when a group of Los Angeles credit women held a breakfast for Mr. and Mrs. W. H. Pouch and B. B. Tregoe, Western Division Manager of the N. A. C. M., on February 3. Miss Florence E. Banks is chairman of the Western Division Ladies' Committee. President Pouch, who on his big swing around the circle visited nineteen local associations, was quoted as saying to women credit managers in Los Angeles:

"We expect to find them as secretaries, bookkeepers or assistants to credit managers, but here you are the whole thing."

He also called attention to the fact that for seven years in Los Angeles, women have had an organization such as has recently been started in the East. He told of the uproar when one woman representing a firm with a membership in the National Association, demanded admittance to credit meetings once in six months. "In New York at one time we allowed them as a privilege just to sit in the gallery and look on, while you in the West were running things to suit yourselves, and doing in five years what it took the men thirty years to accomplish."

The growing interest of the women of the National Association of Credit Men in their groups and education for better credit work among them is a natural result of the recognition of the fact that better work in any profession is aided by an exchange of ideas among its members.

The secretaries of the local associations have as part of their programs the project of stimulating the formation of women's groups, wherever possible, and stand ready to cooperate at all times with these groups in working out interesting meetings of educational value.

When writing to advertisers, please mention the Credit Monthly

Low Premiums and Safe Credit

(Continued from page 21)

Such should be arranged in even tiers, and no cases should be allowed to rest on the floor. Skids should be placed under them. Never allow anything to obstruct stairways or doors—above all do not place an obstruction against automatic fire doors. If there is a basement, see that the stairway is clear, that the basement itself is readily accessible, and that there is no rubbish allowed to accumulate there. If there is a furnace in the basement, metal ash cans should be provided. The floor should be kept clean.

Then you can co-operate with your neighbors in removing some of the fire hazards mutual to his property, remembering that his deficiencies can cost you money. For example there may be an opening from the building he occupies to the next building. Although this may be closed by an ordinary door, the insurance companies do not consider that an effective fire stop. By co-operation, your next-door business neighbor perhaps can be induced to install an automatic fire door, the cost to be borne equally by him and yourself, as the installation would effect a saving in his rate too. Then there may be a charge or a "loading" in his rate for not having the walls of the building parapetted. Co-operation with the owner of the neighboring building may result in the wall being brought up to standard, the consequent reduction in rate to be enjoyed by both. By asking a business neighbor to secure an analysis of his rate and then consulting with an agent, perhaps a mutually beneficial arrangement could be made.

Alterations Change Rate

Here is another important point—never approve the plans for any alterations on premises for new buildings without consulting with the rating authorities. The time to change plans to protect the fire hazard, is before the completion of the alterations or building for often there is just one detail in a plan which may be changed before the operation starts without any extra cost, whereas if the same thing were to be done after the building is completed the cost might be prohibitive.

There is also a premium savings involved.

As an instance of what could be accomplished in this direction, consider the case of a merchant who constructed a fireproof building of a very modern type. The contractors as usual followed the architect's plans. The rating authorities were not consulted until after the building was completed, the insurance written, and the application made for rate. On a building of modern, fireproof type the fire insurance rate is ordinarily

very low. But when the inspector visited the premises, he applied his schedule and in measuring the hazards arrived at a rate of \$1.00 per \$100 insurance for one year. The merchant was amazed at the high cost of his fire insurance, as the value was \$250,000 and the premium therefore was \$2500 per year. Upon inquiry he learned that the reason for the high charge was not due to any fire hazard of the building itself, but to an adjacent exposure of a frame

(Continued on page 30)

THIS BUSINESS IS NOW IN BANKRUPTCY!

The report shown here was completed by the Credit Interchange Bureau System of the National Association of Credit Men about four months prior to the filing of a voluntary petition. Credit Interchange reports will forecast a failure. One did in this instance. Every interested Interchange creditor received a copy of this report—a silent warning!

No! in the four months, all of the creditors did not get out, but five worked out and closed the account, and eight more reduced their account.

FOURTEEN other wholesalers and manufacturers opened accounts with this dealer during the four months previous to the voluntary failure—because they did not know the facts!

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the
Facts

Over 7000
Satisfied
Users

66
Offices
in 64 Cities
Ready to Serve
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For Further
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Your Local Association

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A Blow—

Scorning the idea of a serious windstorm in their section of the country Starrett's Sons had continuously resisted the good counsel of their Insurance Broker. But the unexpected happened and in the great blow, which wrought havoc in their little community, their promising business was ruined.

WINDSTORM INSURANCE would have supplied the funds necessary to replace their property. As it is they will have to strain their credit to the limit and the time lost in rebuilding will give their competitors the long awaited opportunity to obtain a foothold.

No matter what the location, your business is subject to the unexpected. Consult the nearest National Liberty Agent.

National Liberty
Insurance Company
of America.

Home Office: 709 Sixth Ave.
New York



Over \$70,000,000 Losses
Paid Since Organization

Waterbury Organized

New Unit Joins the N. A. C. M.



V. Gualtieri Photo.

FRANK J. NEWCOMB

Pres. Waterbury Association of
Credit Men



V. Gualtieri Photo.

J. PETER COSTIGAN

Sec., Waterbury Association of
Credit Men

FOR the entire credit fraternity it is always good news when the National Association of Credit Men adds a new organization to its increasing list of local associations. Efforts directed for several years toward the formation of a strong local association at Waterbury, Conn., "the brass centre of the world," have recently been successful, and on January 14, 1927, the Waterbury Association of Credit Men began its official life. This fine result was brought about through the vigorous work of F. S. Jeffries, Manager of the Eastern Division of the N. A. C. M., aided by H. E. Chasmar, Field Representative of the Eastern Division and by R. W. Maney, Joint Secretary of the Connecticut Associations of Credit Men.

The assurance of full co-operation and assistance in meeting the problems of this new association and in making it a centre of influence for better credit has been given by the National Association, on whose roster there are now 143 local associations.

The Officers and Directors of the Waterbury Association are as follows: Pres., Frank J. Newcomb, M. J. Daly & Sons, Inc.; Vice-Pres., John A. Bennett, Daly Bros., Inc.; Sec., J. Peter Costigan, Bradstreet Co., who should be addressed at 3 Alma St., Waterbury; Treas., Ralph S. Munger, Colonial Trust Co.; Directors (two-year term), H. F. Burgess, Union Hardware Co.; Frank T. Driscoll, Patent Button Co.; C. A. Dinwoodie, MacDermid, Inc.; Direc-

tors (one-year term), J. F. Giffin, Chase Companies, Inc.; and J. Louis Geist, Plume & Atwood Mfg. Co.

The Eastern Division Administrative Committee at its last meeting most cordially welcomed into its fraternal relationship, as a constituent unit of the National Association of Credit Men, the Waterbury Association of Credit Men in the following resolution:

"To President Frank J. Newcomb, and to his associate officers and directors are these greetings sent with the assurance of all the assistance they may need to meet their problems and to make their organization a centre of vital, ethical influence in credits."

"The city of Waterbury can be complimented upon having an Association so thoroughly devoted to the welfare of business and the integrity of credit transactions as has been the chief purpose and the constant objective of the National Association and its constituent units."

A Credit Source

The CREDIT MONTHLY has long been recognized as a "source magazine,"—one that contains material that is not derivative. An instance of this is the reprinting, in a recent number of *Printers' Ink*, with full permission and full credit, of E. C. Gayman's article, "Shoulder-To-Shoulder—Our Credit and Sales Departments' Boost for More Business" which first appeared in the January CREDIT MONTHLY.

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The Foundation Year

(Continued from page 15)

of the National Association of Credit Men, prepared an address for the Congress, though he was unable to attend and deliver it in person. Mr. Preston, in this address, recommended the appointment of a committee looking toward the organization of a national association of credit men. And so far as I can discover, this is the first suggestion on record that such an association would be desirable.

Following this Congress, nothing immediately happened in the way of the movement recommended by Mr. Preston, and this is not surprising, for there was no cohesion or system in credit thought and practices in those days.

The cudgel appears to have been taken up at this juncture by a magazine published in Kansas City, the "Lawyer and Credit Man". The publishers evidently realized that something could be done for credits by a well organized Association; and it is really surprising the amount of effort they devoted to the project. The pages of this magazine, during the several years that preceded the permanent organization in 1896, were generously given up to articles by credit men, and on credit subjects. Some of the things said in those days, more than three decades ago, were very much to the point and would do credit to the expert of today. In one article I discovered this, "The timid creditor gains nothing by his timidity." Another writer, with considerable courage in his system, said, "The Credit Man's liver is usually the barometer of credit giving."

There were some in those days who believed in cash selling only and for ethical practices I found some very strong advocates. For example: "He who is in business to ruin a neighbor or get even is sure to fail."

"The Lawyer and Credit Man" not only gave generously of its space, but the publishers were apparently interested enough to send representatives to sound out the larger markets on the project of organizing a national association of credit men. One of these representatives, Leonard L. Saniter, furnished some very interesting stories of his experiences. The ideas he ran into when approaching credit men on the subject of organizing, and what he discovered, plainly showed the absence of any co-

ordination of credit practices or co-operation in credit work. The whole body of business seemed to be nothing more than a number of individual enterprises, each fighting for itself and each defending its own borders against all comers. The State insolvency laws which then prevailed encouraged individual action, and he who got in first harvested the spoils.

It is regrettable, in my opinion, that the organization of a national association of credit men was not spontaneous with credit departments

in those days; for, if it had been, a broader foundation might have been established and the need averted of revamping some of the original policies. However, the campaign seemed to be carried out single handed by the "Lawyer and Credit Man." After penetrating the Chicago market—the city in which the Congress of 1893 had been held and which furnished its presiding officer, Mr. Earling,—the magazine called a meeting on September 22, 1894, of a number

(Continued on page 31)

"I Think They Went To Chicago"

Is that what the neighbors tell your collectors?

You can find out quick enough.

Look them up at the Association Library maintained by your City Directory publisher. Directories of principal cities of United States and Canada are on file for your free reference.

*Write us on your letterhead
for a Library Privilege Card*



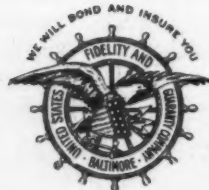
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BALTIMORE, MARYLAND

*Over 7,500 Branches and Agencies
in United States and Canada*

What Have We in Common

(Continued from page 20)

cational material about credit is sorely needed; that the text books now in use are, in the main, obsolete in this respect. He urged co-operation with school authorities at teachers' conventions as a means of determining the best way to present this educational program.

Mr. Tregoe, in summing up the discussion of the subject, said that it was recommended and enthusiastically approved to arrange lecture courses on credits for young people of the grammar and high school grades. He said that in view of the increasing tendency to incorporate commercial courses in the high schools and upper grades of grammar schools, the committee should arrange to hold conferences with commissioners of education in various states, looking toward the incorporation of courses on credits in the high schools and the upper grade schools.

He stated further, in elaboration of this idea,—which by some members of the committee was considered to be one of the most forward looking steps taken by the joint conference,—that the committee should consider the advisability of having prepared a series of say six elementary lectures on credit that can be used in the various schools without the need of having special addresses presented by specially appointed speakers. It was felt that such elementary lectures on credit could be widely broadcast and might be of value even to the older people. These lectures would teach the value of credit and the need of preserving the sacredness of the credit obligation.

Mr. Tregoe suggested that the committee of four draw plans for the publication of lectures. The committee should evolve the program and tell others how it should be carried out.

Legislative Co-operation

Chairman Hewitt said he would like presented a resolution urging the co-operation of the two associations in all legislative matters.

Mr. Tregoe mentioned the Bad Check Law as an example of legislation which the two associations had in common. In summarizing the subject, he stressed the advisability of more interest that was evident at

present in legislative matters. The meeting concurred in the statement and recommended by unanimous approval the desirability of co-operating substantially and faithfully in legislative matters of mutual interest. In order to localize the responsibility for the carrying out of this declaration, the two chairmen, Mr. Hinchman, representing the N. A. C. M., and Mr. Hewitt, representing the R. C. M. N. A., were appointed a legislative committee.

It was decided that whenever the R. C. M. N. A. desired the assistance of the N. A. C. M. in legislative matters, this would be imparted to Mr. Hinchman and by him brought to the proper parties; whenever the N. A. C. M. desires the assistance and co-operation of the Retail Association, the request would be submitted to Mr. Hewitt and he would see that it was forwarded to the proper parties for execution.

These two chairmen, representing the committee, will be responsible for the carrying out of this plan and will be asked at each meeting for a report of their activity and the activities of their organizations when legislatures, Federal or State, are in session.

Interchange Co-operation

The next subject presented to the conference for approval was the desirability of interchange bureaus for retail and wholesale merchants in various cities to interchange with one another when it can be done on a reciprocal, mutually beneficial basis. The idea was approved by everyone at the conference but it was deemed a technical subject that should be considered by those in charge of interchange work in the two organizations.

It was decided to present the idea to E. B. Moran of Chicago, Manager of the Interchange Department of the N. A. C. M., and to Stephen H. Talkes of Washington, D. C., head of the Retail Credit Service Exchange of the R. C. M. N. A. It was suggested that these two gentlemen get together by correspondence or in conference and that Mr. Tregoe present their conclusions at a future meeting of the joint committee.

It was reported by Messrs. Edgerton and Hinchman that their subcommittee on a slogan had not been able as yet to evolve a slogan suitable for the use of both associations

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with the basic idea—"Pay your bills promptly." It was, however, agreed that the members of both organizations should be called upon to suggest such a slogan and, if adopted, that it should be put into the widest possible use.

Care in Making Receivables

Chairman Hewitt brought to the attention of the meeting an idea that was unanimously accepted: It was recognized by the meeting that profits in business and the success of the business enterprise doing business on credit terms depended on the character and carefulness with which its receivables were made.

Mr. Hewitt said that in the manufacturing and wholesaling field a great deal of care is exercised in credit discrimination and in the acceptance of credit from buyers and from borrowers; that in the large retail establishments there were departments carefully set up for discriminating buyers and for making safe receivables. But in the smaller retail establishments, he said, the credit end of the business was too generally done in an unsystematic way; and, as a result, it has been found too often that when such establishments got into trouble that their receivables had shrunk so greatly that they became of but little value or of no value at all.

Therefore, according to the chairman's suggestion, it was unanimously resolved that the influence of the members of the N. A. C. M., as well as the influence of the R. C. M. N. A., should be exercised to show all retail stores doing business on credit terms that they should use the facility of interchange bureaus wherever these are available in order to determine whether or not a buyer is safe to sell on credit.

By the widespread adoption of this plan the committee recognized that losses through poorly made receivables would naturally decrease and in the decrease assets would be of greater value, and would therefore make such concerns better risks for the wholesaler and manufacturer and better stores for their communities.

Mr. Blandford suggested that the committee find out when meetings of various business bodies are held all over the country and that men be sent to address the gatherings on credit subjects. He suggested that such addresses be prepared as would meet the peculiar problems of the industry

SANFORD'S PASTE

Always Ready
Dries Quick
Sticks Tight
Never Stains



whose members were being addressed.

Speakers on Credit Subjects

The committee recognized that selling the activity and value of credit to executives not immediately identified with the Credit Department was one of the most important projects of the credit fraternity, because in most of our big businesses the purchasing executive, for example, often loses sight of the part played by credit in a successful business.

The chairman was empowered to appoint two men to be designated as a Committee on Speakers and to evolve a plan whereby this idea may be presented to organizations projecting national conventions. This was considered particularly desirable where the convention speakers will address executives who otherwise might not be informed of the importance of using credit properly.

In line with this thought, the Executive Manager of the N. A. C. M. brought to the attention of the joint meeting the desirability of the R. C. M. N. A.'s being represented on the program of the N. A. C. M., which in turn should be represented on the

convention program of the R. C. M. N. A.

It was recommended that a period of twenty minutes be provided on the program of each convention and that a speaker be selected by the associations' officers to carry out this program and to address the conventions on the desirability of the two organizations' co-operating freely in the credit field.

Mr. Blandford suggested (and the suggestion was unanimously concurred in) that interchange of speakers should not be confined to national conventions but also be made a custom for state or regional conferences of the two organizations.

Trade Groups

Mr. Demmler, speaking on trade groups, offered the suggestion that different industries should be discouraged from establishing independent trade groups unless the groups were set up and operated under the supervision of the N. A. C. M. He said that independently operated groups do not receive the great advantages offered by the N. A. C. M.

During the discussion that followed, mention was made of the out-

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	Income and Profits
Fire	
	Windstorm
Explosion	

Check every point
at which credit could be
impaired or destroyed
through the above causes

And more than this
make SURE you know all
the ins and outs of these
lines of INSURANCE

See the Agent of the

ETNA (FIRE) INSURANCE COMPANY



Ralph B. Inu
President

standing success of the Petroleum Refiners' Bureau, a trade group organized and operated by the N. A. C. M.

It was the opinion of the meeting that the local secretaries should point out to individual enterprises the manifold advantages of being connected with the N. A. C. M. in their trade group work.

The meeting which had started at 12:30 was adjourned at 3:20, following an interchange of thanks between Mr. Hewitt and Mr. Hinchman.

The Cyclopeedy

(Continued from page 12)

pesky hard to give up a fiver. It warn't no use cussin' Higgins; Higgins just laffed when Leander allowed that the cyclopeedy wuz no good 'nd that he wuz bein' robbed. Meantime Leander's family wuz increasin' and growin'. Little Sarey had the hoopin' cough dreadful one winter, but the cyclopeedy didn't help out at all, 'cause all it said wuz: "Hoopin' Cough—See Whoopin' Cough"—and uv course, there warn't no Whoopin' Cough to see, bein' as how the W hadn't come yet!

Oncet when Hiram wanted to dreem the home pasture, he went to the cyclopeedy to find out about it, but all he diskivered wuz: "Drain—See Tile." This wuz in 1859 and the cyclopeedy had only got down to G.

The cow wuz sick with lung fever one spell, and Leander laid her dyin' to that cussid cyclopeedy, 'cause when he went to readin' 'bout cows it told him to "See Zoology."

But what's the use uv harrowin' up one's feelin's talkin' 'nd thinkin' about these things? Leander got so after a while that the cyclopeedy didn't worry him at all; he grew to look at it ez one uv the crosses that human critters has to bear without complainin' through this vale uv tears. The only thing that bothered him wuz the fear that mebbe he wouldn't live to see the last volume—to tell the truth, this kind uv got to be his hobby, and I've hearn him talk 'bout it many a time, settin' round the stove at the tavern 'nd squirtin' tobacco juice at the sawdust box. His wife, Hattie, passed away with the yaller jaunders the winter W come, and all that seemed to reconcile Leander to survivin' her

wuz the prospect uv seein' the last volyume uv that cyclopeedy. Lemuel Higgins, the book agent, had gone to his everlastin' punishment; but his son, Hiram, had succeeded to his father's business 'nd continued to visit the folks his old man had roped in. By this time Leander's children had growed up; all on 'em wuz marr'd, and there wuz numeris grandchildren to amuse the ol' gentleman. But Leander wuzn't to be satisfied with the common things uv airth; he didn't seem to take no pleasure in his grandchildren like most men do; his mind wuz allers sot on somethin' else—for hours 'nd hours; yes, all day long, he'd set out on the front stoop lookin' wistfully up the road for that book agent to come along with a cyclopeedy. He didn't want to die till he'd got all the cyclopeedies his contract called for; he wanted to have everything straightened out before he passed away.

When—oh, how well I recollect it—when Y come along he wuz so overcome that he fell over in a fit uv paralysis, 'nd the old gentleman never got over it. For the next three years he drooped 'nd pined, and seemed like he couldn't hold out much longer. Finally he had to take to his bed, he was so old 'nd feeble—but he made 'em move the bed up against the winder so he could watch for that last volyume of the cyclopeedy.

The end come one balmy day in the spring uv '87. His life wuz a-ebbin' powerful fast; the minister wuz there, 'nd me, 'nd Dock Wilson, 'nd Judge Baker, 'nd most uv the fam'ly. Lovin' hands soothed the wrinkled forehead 'nd breshed back the long, scant, white hair, but the eyes of the dyin' man wuz sot upon that piece uv road down which the cyclopeedy man allus come.

All to oncet a bright 'nd joyful look come into them eyes, 'nd ol' Leander riz up in bed 'nd sez, "It's come!"

"What is it, Father?" asked his daughter Sarey, sobbin' like.

"Hush," sez the minister, solemnly, "he sees the shinin' gate uv the Noo Jerusalem."

"No, no," cried the aged man; "it is the cyclopeedy—the letter Z—it's comin'!"

And, sure enough! the door opened, and in walked Higgins. He tottered rather than walked, f'r he had growed old 'nd feeble in his

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wicked perfession.

"Here's the Z cyclopeedy, Mr. Hobart," says Higgins.

Leander clutched it; he hugged it to his pantin' bosom; then stealin' one pale hand under the pillar he drew out a faded bank-note 'nd gave it to Higgins.

"I thank Thee for this boon," sez Leander, rollin' his eyes up devoutly; then he gave a deep sigh.

"Hold on," cried Higgins, excitedly, "you've made a mistake—it isn't the last—"

But Leander didn't hear him—his soul hed fled from its mortal teneament 'nd hed soared rejoicin' to realms uv everlastin' bliss.

"He is no more," sez Dock Wilson, metaphorically.

"Then who are his heirs?" asked that mean critter Higgins.

"We be," sez the family.

"Do you conjointly and severally acknowledge and assume the obligation of deceased to me?" he asked 'em.

"What obligation?" asked Peasley Hobart, stern like.

"Deceased died owin' me f'r a cyclopeedy!" sez Higgins.

"That's a lie!" sez Peasley. "We all seen him pay you for the Z."

"But there's another one to come," sez Higgins.

"Another?" they all asked.

"Yes, the index!" sez he.

So there wuz, and I'll be eternally goll durned if he aint a-suin' the estate in the probate court now f'r the price uv it!

Uncle Sam and the N.A.C.M.

(Continued from page 18)

and money exchange house in New York. It was found that the broker had sold them to a man who called himself J. Brown and who gave a house number in uptown New York as his home address.

Association investigators found a J. Brown at the address given, but the man proved that he knew nothing of the bonds. The trail seemed to have been lost.

In the face of apparent failure, the investigators made several visits to Brown's house, and on one of these calls talked to Brown about the failure of the Theda Dress Company and about a man named Irving J. Mills.

At the mention of the name Mills, Brown recalled that he had played

poker with a man of similar name some time before. Subsequently a clerk from the stock brokerage house identified Mills as the J. Brown in the case.

It seems that Mills, in his transactions involving the bonds, had used the name and address of a chance acquaintance as his own. At first he denied knowing Birnbaum, the bankrupt in the Theda dress failure, but the investigators found the names of Birnbaum and Mills together on a hotel directory and proved that the two had been in each other's company.

A third factor that helped to convict Mills was the discovery made by an Association investigator in the Excello Trading Company, opened by Mills in New York. It had been suspected that some of the merchandise from the dress company failure had gone to the Excello Company.

An inspection of the place revealed no merchandise, but the Credit Protection Department man luckily secured several tags and labels torn from bolts of cloth. These were traced to the manufacturer and found to have been placed on the stolen goods.



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Low Premium and Safe Credit

(Continued from page 23)

hotel on the south and of a brick garage on the east. Upon the recommendation of the rating authorities an outside sprinkler system was installed on the new building as a protection against both of these exposures. When the property was again rated a charge of 25c per \$100 insurance was made, involving a saving of \$1875 per year in the fire insurance premium! The point involved is that if the plans had been changed before the building was erected the inclusion of the sprinklers could have been facilitated with only a nominal cost, but because the building had been completed, it was necessary for the contractors to do considerable tearing out, with added expense.

You should understand some of the more important requirements of the standard fire insurance policy. For example: if there is any increase in the hazards of the building occupied, your insurance agent should be promptly notified and he should endorse the policy, giving privileges for the additional hazard. If for instance, the owners of your building should install an oil burner, an Oil Burner Permit should be attached to your policy. If a radio receiving set is installed in the building, a Radio Permit should be secured. These two hazards can be taken care of by endorsements which invariably may be attached to the policies without additional premium charge. Fire extinguishers, fire doors and other fire protective devices to be installed should be approved and the Underwriters' Laboratory label attached to them. If this is not the case, you are not sure of securing proper credit in the rate for their installation.

Removal Clause

One thing often overlooked during the excitement of removal is that the fire insurance contract is a personal one and does not follow the property. If you are required to move ask your agent to endorse your policy, giving you the privilege of removing your property to your new location and secure the form of endorsement which grants coverage at both the old and new locations during the process of removal.

If you carry Tornado Insurance be sure that the "Bridging the Gap" endorsement is attached to your Tornado policy. This means that if a

windstorm blows down your building and fire immediately ensues the Windstorm policy will pay for that fire damage. If you haven't such an endorsement the danger lies in the fact that your Fire Insurance is voided when a windstorm demolishes your building or a material part thereof. Your fire policy contains that provision and therefore you might have both Windstorm insurance and Fire insurance and yet if a windstorm damaged "a material part thereof" of your building and you did not have the Bridging the Gap endorsement you would not collect under either policy. This endorsement is added today without cost and is one of the latest policy innovations of great importance to fire insurance policy holders.

The successful business man studies his overhead at all times as a factor the regulation of which is necessary to credit success. In these days when sales organizations are increasing advertising appropriations and sales effort and improving office appearances—turn also to your fire insurance and see if you are burying dollars there because your fire insurance policies are being handled in

an obsolete or careless manner. Select a good agent and make it part of your dealings with him to have him call once every quarter and go over all of your insurance to make certain that you are receiving the maximum of protection for the minimum of cost.

Easy Payments

A picture in "Punch" shows a riot going on in a court on a by-street of London. A policeman is hurrying to the rescue. In the foreground are two neighbors who exchange the following comments:

"Wot's the trouble up the court, Mrs. White?"

"Nothin' much. Only the furniture man come for his easy payments."

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To ask any credit expert to be responsible for the conduct of the buyer's business after the sale of goods has been completed, is to expect the impossible.

A shift in styles, unseasonable weather, unexpected local economic depression, unlooked for crop failures; all contribute to the causes behind business house failures.

The past is not necessarily an accurate guide to the future.

Only credit insurance can assure merchants and wholesalers against the abnormal loss resulting from the unexpected failure of a large customer. A National Policy of Credit Insurance, backed by the guarantee of the World's Largest Surety Company prevent, else pay, all such abnormal losses, allows your credit department to fulfill its natural function of checking on known credit conditions before the goods are sold.

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The Foundation Year

(Continued from page 25)

of the prominent business men of the city. The invitation was generously responded to, considering the way in which very many credit men viewed the project.

At this meeting Mr. Earling extended a welcome for the Commerce Club of Chicago. Thomas Davies of L. C. Wachmuth & Company played a prominent part. A letter from Mr. Preston again advocating the organization of a national association was read. Interest apparently arose in this meeting, but the idea had its opponents, and nothing immediately happened.

Some of the men identified with the organization of the National Association of Credit Men in 1896 began to appear in the pages of the "Lawyer and Credit Man", and among them I would mention T. H. Green of Sioux City, first treasurer of the National Association of Credit Men, and Samuel Rosenthal, of Baltimore, first president of the Baltimore Association of Credit Men and one of the first Directors of the National Association.

After the Chicago meeting W. H. Preston wrote a series of most interesting articles on "Credits, Collections, and their Management." They appeared in successive issues of the "Lawyer and Credit Man," and later were distributed in book form. *This is probably the earliest contribution to our credit bibliography.*

Coincident with these efforts to arouse interest in the organization of a national association of credit men. Judge Torrey was trying his very hardest to get through Congress a practical bankruptcy law. There was not sufficient co-ordination in credit work to bring the proper support to this measure, and though the need of a National Bankruptcy Law was widely recognized, ideas as to its provisions differed largely; and as a result no progress could be made. Mr. Earling of Chicago drafted a bankruptcy law which appeared in the "Lawyer and Credit Man", but nothing came of it. There were in Congress bankruptcy bills other than Judge Torrey's, and as we see the situation from this distance, it was in a great muddle.

The articles presented by credit men in the early 'nineties were usually stilted and did not reflect that broadness of vision and knowledge of technique that distinguish the expositions

on credit that we are likely to run across these days. The mental element, however, was very strong, and for their human stature the men of the early 'Nineties need not doff their hats to the men of today.

Representatives of the "Lawyer and Credit Man" continued to canvass various markets in behalf of a national organization; many letters in its behalf appeared in current issues of the magazine; and in each issue appeared a number of articles on credit and collections.

Through 1895 the seed was sown of a national organization; and the first step of real significance was the

getting together in New York City of a few credit men in the fall of 1895, when they organized the first local association of credit men.

There was in Sioux City a Credit Bureau of the local Chamber of Commerce, with which Mr. Preston and Mr. Green were actively identified. However, *as an exclusively credit body, the association organized in New York City was the first*, and when the association obtained its charter on January 16, 1896 it had 62 members. M. E. Bannin, of Converse Stanton & Company was elected President of the New York Associa-

(Continued on page 33)



Antecedents

Past conduct, all that has gone before, is a factor in credit granting which cannot be overlooked. One who has earned the reputation of consistently and promptly meeting his obligations is considered worthy of trust and reliable as a distributor of your products.

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Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

Mortgages

Q. Where a chattel mortgagor is left in possession of property under an agreement that he may sell it and apply the proceeds to his own purposes, is the mortgage valid?

A. This question was decided in New York in the case of *Potts vs. Hart*, 99 N. Y. 168, in which it was held that under such circumstances, the mortgage is void regardless of actual fraud. In that case, the chattel mortgagor of the goods and merchandise in a store owned by the mortgagor, had an understanding with the mortgagee that he was to be permitted to retain possession of the mortgaged goods, sell and dispose of the same, and apply the avails to his own use.

The Court held that such an understanding, whether tacit or express, rendered the mortgage fraudulent and void as to the creditors of the mortgagor.

The same decision was reached in the case of *Boshart vs. Kirley*, 69 N. Y. Supp. 623, and in *Baillargeon vs. Dumoulin*, 165 N. Y. App. Div. 730.

The leading case in New York is *Zartman vs. First National Bank of Waterloo*, 189 N. Y. 267, where it was held that a mortgage given by a manufacturing corporation upon all its property, real and personal, to secure its negotiable bonds, with the right of possession and enjoyment in the mortgagor for its own use and benefit until default, although it contained a clause purporting in terms to cover after-acquired personal property, is not good as against a Trustee in Bankruptcy as to shifting stock and material on hand, when possession was taken by the mortgagee pursuant to the provisions of the mortgage. The Court said: "An agreement permitting the mortgagor to sell for his own benefit, renders the mortgage fraudulent as a matter of law as to the creditors."

The same point was recently raised in one of the United States District Courts of Minnesota in a case entitled *In Re Frey*, 15 Fed. 2d 871. In that case Frey gave to the petitioner his note for \$700 payable one year after date, and to secure its payment, executed a chattel mortgage upon all of his store fixtures and stock in trade. The mortgage contained a provision to the effect that the stock was to be kept up to \$500 in value, wholesale, at all times, and permission was given to sell the stock and replenish the same.

The mortgage was duly filed for record, and Frey remained in possession of the mortgaged property and made sales therefrom in the usual course of business.

Only two small payments were made on the mortgage debt when Frey became bankrupt. Action was brought by the creditors to have the mortgage declared void as to them. The Federal Court following the principles enunciated in the New York cases cited above, held the mortgage fraudulent as a matter of law against the creditors. The Court said: "The rule in Minnesota for a great many years has been that a chattel mortgage with an agreement that the mortgagor may retain possession and sell or dispose of the property as his own, without satisfaction of the mortgage debt, is fraudulent as a matter of law and voidable as against the mortgagor's creditors."

As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the *Credit Monthly*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

lent as a matter of law and voidable as against the mortgagor's creditors."

The Courts of the various states are sharply divided on this question. One group of states holds that a mortgage of a stock in trade is not invalidated by the fact that the mortgagor is authorized to sell and to replenish the stock from the proceeds of the sales, especially when there is a provision that any surplus shall be applied to the mortgage debt, and this indeed is the rule adopted by the United States Supreme Court. (See *Etheridge vs. Sperry*, 139 U. S. 266). Decisions to this effect are to be found in Arkansas, the Dakotas, Massachusetts, Maine, Michigan, Missouri and Washington.

The other line of cases follows the New York rule as laid down above, and holds that a mortgage is fraudulent and void which permits the mortgagor to sell from stock from time to time, although he agrees to replace any stock sold with stock of equal value. In addition to New York and Minnesota, decisions to this effect will be found in Mississippi and West Virginia and also in the United States District Court in Iowa.

Conditional Sales

Q. What are the requirements of the Conditional Sales Law with reference to the resale of chattels which are retaken because of failure of a conditional vendee to meet instalments of the purchase price?

A. The answer to this question depends upon the law of the particular State in which the property is retaken. There is no uniform rule except as laid down by the Uniform Conditional Sales Act, enacted in Alaska, Arizona, Delaware, New Jersey, New York, South Dakota, West Virginia and Wisconsin. If the member will examine the Credit Man's Diary and Manual of Commercial Laws for 1927, he will find this subject discussed at page 232.

Where there are statutory requirements with reference to resale, after retaking, they must be complied with, but where there are no statutory requirements, the conditional seller may, after retaking the property, treat it as his own and sell it or retain it, as he sees fit.

Receipt of Letters

Q. Does the law presume that a letter which has been mailed reaches the person to whom it is addressed, or is it necessary in case the question arises, to prove that the addressee actually received the letter?

A. When certain necessary conditions have been complied with, the mailing of a letter or other postal matter gives rise to an inference that it arrived at its destination in due course of mail.

To raise this inference, the following facts must be proved as conditions precedent to the presumption of delivery:

1—That the letter was properly addressed to the person for whom it was intended.

2—That the postage was prepaid.

3—That it was properly deposited in the mail.

Where the question is whether a letter was sent by mail at a certain time, in the absence of any evidence as to its being deposited with the post office authorities, proof of a course of business or office practice, according to which it could only have been mailed, gives rise to the presumption that it was mailed.

Under such circumstances it is necessary to show that the letter was placed in the usual office receptacle for outgoing mail, and, in addition, to call as a witness, the particular clerk whose duty it was to mail such letter, and have him testify that he invariably mailed all letters found in the receptacle. In the absence of any part of such proof, no inference of the mailing of the letter can be drawn. (*Leahy vs. United States*, 15 Fed. 2d, 949).

Bank Failure

Q. When a customer's account has been charged with the amount of a check which the customer has sent in payment of a bill, and while the proceeds of the check are en route through the collecting chain of banks, one of the banks in the chain fails while the funds are in its possession, has the seller a cause of action against the customer or is his sole claim against the closed bank?

A. Under the circumstances above stated, the seller's claim is either against the bank with which the check was deposited for collection or against the closed bank, depending upon whether the bank of the depositor is situated in a jurisdiction which adopts the rule placing absolute responsibility upon the initial bank or within the jurisdiction which relieves the initial bank from liability except for negligence in selecting its correspondent. The legal relationship of the parties is as follows:

The initial bank is the agent of the seller for the collection of the check and all other banks in the chain of collection are likewise agents for the seller. Consequently, when the funds have been collected by charging the amount of the check against the account of the customer, the funds are then in the hands of the seller's agent and if that agent fails, the loss falls upon the seller and not upon the customer.

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(Continued from page 31)

tion. He became later Vice-President of the National Association when it was organized in Toledo in 1896. Although he has passed into the great unknown, the impress of his sterling character is still one of the Association's best traditions.

After New York, the next association organized was at New Orleans. On March 10, 1896, an association was formed in that city and H. F. Gillean was elected President.

After this, Associations were organized during May, 1896, at Minneapolis and St. Louis.

It was not difficult, with this beginning of an organized movement, to spread the interest, and though a meeting for the purpose of organizing a national association had been talked about and projected in the early part of 1896, to B. G. McMechen, a prominent Credit Man of Toledo, is the honor accorded of enlisting the interest of the Toledo Chamber of Commerce, which issued invitations throughout the country to attend a Convention in Toledo on June 23, 1896, worded as follows:

"The Chamber of Commerce unanimously and cordially invites the Credit Men of the Nation to hold their first national Convention in Toledo."

This invitation was warmly received in a number of important marketing cities, and on June 23 the Convention opened its proceedings, with a small but very earnest group of men in attendance.

My next chapter will tell the story of this Convention, and point out some of its significant facts. Little did the men participating in this Convention realize what a constructive and forward looking movement they had started, and what would eventually be realized by the Nation when credit was endowed with a practical technique, and its uses multiplied beyond the conception or the imagination of those days.—J. H. Trejoe.

Debtors—Old Style and New

(Continued from page 10)

virtually abolished in the United States.

In 1871, according to "The Nation," there were many persons imprisoned for debt in New York, suffering undeserved hardships; and for a good many years afterward, there

were not a few in other parts of the Union who felt the stern hand of the law fall heavily on their shoulders, because they could not keep the necessary jumps ahead of the sheriff.

Credit Is Constructive

That our present laws sometimes enable a cheater to slip too easily through the net and escape cannot be denied, as in the case of the man who abuses every means of credit and yet manages to claim non-violation of the law, but Credit can proudly hold up its head as a constructive and ef-

fectual force in modern commerce, a builder of able men and strong businesses.

Under the old regime, credit was more like a crawling serpent that tempted both givers and askers and frequently caused economic and social waste. When a man failed to pay a debt contracted either out of necessity or unscrupulousness, he was put in prison, taken away from his work, deprived of his income, kept in surroundings which impaired his physical health and his standing in the community and debased his

(Continued on page 36)

Security for Credit Managers

The credit department of a modern mercantile concern shoulders financial responsibilities equivalent to those of a bank—but without the security that protects the latter.

American Credit Insurance

furnishes just such security. It not only insures the credit man's house against abnormal, unforeseen credit losses, but it insures the credit man himself against risks and unpreventable mishaps, and constantly strengthens his standing as a credit executive. It works hand in hand with him, too, in preventing losses.

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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

Credit for Agriculture

THE FARMER'S CAMPAIGN FOR CREDIT.
Clara Eliot. D. Appleton & Co. N. Y. 1927.
312 pp. \$3.

To "Rural Credits" by Myron T. Herrick and R. Ingalls, the house of Appleton now adds this timely volume by Dr. Eliot, who is instructor in economics in Barnard College, Columbia University.

The author begins with an examination of the historical background of the farmer's relations with the money and credit system. She then describes the machinery for supplying credit to agriculture as that machinery was provided prior to the recent agricultural crisis; analyzes the agricultural crisis of 1921; discusses the governmental response to that crisis, and particularly the Agricultural Credits Act of 1923; gives a brief resume of the situation since 1923; and closes with a treatment of some of the basic issues in the field of credit theory which are immediately involved in our agricultural credit policies.

Very complex conditions, it is shown throughout this study, lie back of the farmer's campaign for credit. These include a real need of capital equipment for agriculture; a general confusion between capital goods and purchasing power to acquire such capital; the inadequacy of the commercial banking system for most of the farmer's requirements; the disproportionate burden and suffering which price declines cause in the case of the farmers; profound ignorance on the part of the public of the functions of banking systems; and a prevalent idea that prices of special commodities can be controlled by credit issues.

In addition to these general conditions, says Dr. Eliot, recent years have given us an acute crisis and depression coming on top of a war which had taxed a new and untried banking system to the limit. Although the causes of this crisis are to be found well outside of the banking system, in matters of war finance and of over-stimulated agricultural production, certain defects in the banking machinery were brought to light, the correction of which would have mitigated the severity of the crisis.

Had eligible banks more generally been members of the Federal Reserve system, and had we then had some way for making loans adapted to the farmers' longer turnover without tying up demand deposits, the banks could have better met the crisis.

Dr. Eliot's review of the background and present status of the problem of the interrelations between agriculture and the credit structure brings to light certain important warnings. She raises serious questions concerning the experiments favoring "commodity paper," concerning the view

held by some farmers that credit can be utilized to maintain the prices of specific commodities, and concerning the view held by some bankers that banks have no responsibility whatever for price movements.

In conclusion the author points out perhaps the greatest danger of all—that of making credit issues a matter of political administration, either under the government itself or under boards which are subject to the influence of outside propaganda.

For 1927 Taxpayers

1927 INCOME TAX PROCEDURE. Robert H. Montgomery, C.P.A. Ronald Press Co. 1927.
2 volumes. 2068 pp. \$16.

Like the American hunter who returned from Africa to write about "bigger and better elephants," Colonel Montgomery seems determined each year to outdo his record of the preceding year. The 1927 Income Tax Procedure, firmly established as an annual deskbook in the offices of thousands of accountants, attorneys and business concerns, runs to two sizeable volumes with a total of more than 2000 pages.

Volume I covers the determination of net income, the preparation of returns and payment of the tax. Volume II is devoted to practice before the Treasury Department, Board of Tax Appeals and Federal Courts. This edition is centered exclusively on the federal income tax, last year's edition having contained a full discussion of the taxes on excess profits, estates, gifts and capital stock.

The Colonel is not wholly pleased with the 1926 law. There is, he submits, something fundamentally wrong with Congress when year after year the new tax laws continue to be as bad as their predecessors in the most important feature of income and profits taxation—certainty of application. Any tax law is intolerably bad which contains retrospective provisions. Certainly it is not conducive to the orderly conduct of business to make changes in the law affecting the basis of business transactions after the transactions have occurred.

Another charge against the 1926 law is that it introduces "what may become the most vicious of all the policies which have marked our complicated federal tax system." By this Colonel Montgomery means the "barefaced disregard" of court and Tax Board decisions which have interpreted previous tax laws. So many, he says, of the provisions of the laws and the regulations have been erroneous that astute taxpayers have reserved their remedies and protected their rights, or at least they thought they did. But Congress has unwisely enacted into the 1926 law sections

interpreting previous laws, and retroactively changing such previous laws wholly to nullify some of the decisions of the courts and the Tax Board.

Thus far we have a first-class modern jeremiad. But the Colonel is not a full 100 per cent pessimist. The Treasury's burdens, he concedes, increase cumulatively. The administration of a complicated new law added to the unsettled problems under old laws creates a situation which would require superhuman intelligence if mistakes were to be avoided. Even though all of us freely criticize the Treasury, we do not expect perfection and we are glad to note the constant improvement in administration. Many of the most intricate problems go to the General Counsel's office, in which there is today greater efficiency than ever before.

This last statement sounds almost cheerful. We shall therefore bid the Colonel farewell before he has a relapse and begins to tell us what he really thinks of tax reduction, as practiced in the third decade of the twentieth century.

Manufacturers' Selling

SALES ADMINISTRATION. Walter S. Hayward. Harper & Bros., N. Y. 1926. 498 pp. \$5.

In the flood of books and pamphlets on salesmanship the manager of a strictly manufacturing enterprise has not found himself any too generously treated. The pie was large enough, but he got a very small piece.

To his rescue comes Mr. Hayward, whose reputation as an authority on manufacturing problems rests firmly and comfortably on a long line, and by no means a thin one, of books, pamphlets, reports and articles on both the production and the distribution aspect of modern manufacturing.

What is the sales manager's place in a manufacturing enterprise? What are his duties, his worries, his opportunities? What are his vital problems? How should he formulate his policies on product analysis, market analysis, advertising, sales quotas? These are the questions asked, and answered with neatness and dispatch, in "Sales Administration."

The first section states the general problem and lays out the field of sales administration. The second deals with the product, discussing analysis, production and sales, merchandising problems, brands, trademarks, slogans, packages and labels. Section III consists of three pungent chapters on the market, dealing respectively with commercial research, market development, and buying motives and appeals. The fourth section takes up marketing methods in detail. Section V tells how the sales force should be built up, equipped,

supervised and stimulated. Section VII is concerned with sales promotion, and the concluding section with product adjustment to market demand.

Some credit managers who get hold of this book will probably follow the example of certain fair readers of fiction, who begin by devouring the last few pages of a novel "to see how the story comes out." That is to say, they will postpone reading the foregoing 29 chapters until after they have dipped into Chapter XXX, which ends the book with a discussion of "Sales and Credits."

Neither Mr. Hayward nor any other specialist should be expected to unfold a complete system of credit technique in a chapter of 16 pages. What Mr. Hayward does is to start with the axiom that a successful sales policy implies close co-ordination with the credit function. From that he goes on to indicate the chief sources of credit information, characterize direct exchange and bureau interchange, point out the factors that enter into adequate analysis of the credit risk, make general but helpful suggestions concerning collection correspondence, and touch briefly on the live problem of instalment selling.

The saneness of the entire volume is admirably illustrated in this paragraph, the concluding one of the book:

"Instalment selling, like the majority of innovations in merchandising, is neither an unmixed evil nor a blessing. It is not good when the product deteriorates more rapidly than payments can be secured, where the future income of the consumer is mortgaged too heavily to meet the instalments, where the product cannot be recovered, or where the purchase of the product leads to extravagance. It is good when it allows the retailer to increase his volume of business legitimately, and where it permits the consumer to obtain something of value to him upon terms of payment which he can afford."

New Approach to Accounting

SURVEY COURSE IN ACCOUNTING. W. J. McCarty and L. C. Amidon. Prentice-Hall, Inc. N. Y. 1926. 483 pp. \$5.

Here is a Boston-New York collaboration, Mr. McCarty being a C. P. A. and professor of accounting in the Boston University College of Business Administration, and Dr. Amidon, associate professor of accounting in the New York University School of Commerce, Accounts and Finance.

The spread of instruction in accounting is one of the notable features of education today. The subject is no longer restricted to schools of commerce and colleges of business administration. Colleges of arts and sciences now very generally include it in their curricula, as either a required or an elective subject. Because it is essential to cost finding, technical and engineering schools include it, and even schools of agriculture, pharmacy and theology offer abbreviated accounting courses.

This opens the way for a text designed particularly for the short course, and such a text is the one now under review. As to approach, the authors decided to select neither the "account," the "journal" nor the "balance sheet" method, but to strike out for themselves in an entirely new direction. The result is this course, built upon the "equation," which has heretofore been regarded chiefly as an incident to accounting rather than as a foundation on which the science is built.

The authors begin with the simplest possible equation—assets equals ownership. They explain this situation thoroughly,

visualizing the accounting treatment by a demonstration on a form designed for the purpose. A narrative provides material for the student's laboratory practice. Thus the beginning student, going from the simplest business situation to the more complex, is conscious of making progress from this first contact, and of becoming familiar with a new science.

Thorough study of the first eight chapters of the text should give the student a satisfactory background. By this time he is familiar with the meaning of assets, liabilities, expenses, incomes, capital invested, accounting structure and classification, journalizing, posting, trial balance, accruals, prepaids, inventories, balance sheets, profit and loss statements and closing entries, and has a working knowledge of the rules for making debits and credits.

At this period in the course, the Journal

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and Ledger are substituted for the "equation of business" form. At this stage the student recognizes the records made in the journal as incidental to recording the values involved, as debits and credits in the accounts. He is then shown how to substitute special journals for the one journal, as a result of tabulating the values in respect to related transactions.

As has been indicated, the subjects of the first eight chapters have to do with studies in accounting in a broad and general way. Chapters IX to XXI, inclusive, furnish the material for the introduction of the "Books," and the broadening of the application of the principles of accounting to many business situations where new features are presented.

"Costing" is admirably presented. The important features of accounting for manufacturing are simplified and modernized through the use of forms and charts. The authors point out the main channels through which the data, in respect to operations in the factory and costs, flow to the accounting department and into the main accounts.

To the important subject of auditing, sufficient space has been given to inform the student and the business man concerning the procedure of both internal and external audits, the attitude of the auditor to the property and the debts of the business under review, and the nature of the reports to be submitted.

Altogether, this text constitutes as interesting an experiment as has appeared in the field of commercial education for a long time. It deserves to succeed, and in all probability it will do so.

Essentials of Business Law

AMERICAN BUSINESS LAW. John J. Sullivan. D. Appleton and Co., N. Y. 1927. 433 pp. \$2.50.

Dr. Sullivan, who is a member of the Philadelphia bar and professor of law in the Wharton School of Finance and Commerce, University of Pennsylvania, produced the first edition of this text in 1909. This is the third revision, others having been brought out in 1912 and 1920.

While the book is designed primarily as a text for students in business law courses, it serves admirably as a ready reference volume for use in business concerns.

There is an introductory chapter, after which the material is divided into five general sections. Book I deals with the formation, operation, proof, interpretation and discharge of contracts; Book II concerns agency, partnerships and corporations; Book III personal and real property; Book IV suretyship, guaranty and insurance; and Book V the estates of decedents.

From the credit point of view, one of the outstanding features of the book is Chapter XVIII on "Discharge of Contracts by Bankruptcy." In order to enable credit managers who read this review to give themselves an "information test" concerning bankruptcy, we will reproduce part of the questions which Dr. Sullivan lists at the end of Chapter XVIII:

1. Where is the executive power to pass a bankruptcy law, affecting antecedent obligations, lodged?
2. What was the design of the National Bankruptcy Act of 1898?
3. Who may start bankruptcy proceedings?
4. When you learn that one of your debtors has gone into bankruptcy how should you proceed to get a share of his estate?
5. How are proofs of debt executed when the claimant is: (a) a corporation; (b) a national bank; (c) a partnership?
6. How long a time has a creditor of a bankrupt in which to file proof of claim?
7. Who may become a voluntary bankrupt?
8. May a corporation file a petition to be adjudged a voluntary bankrupt?
9. Who may be adjudged an involuntary bankrupt?
10. Enumerate the five acts of bankruptcy.
11. Within what time must a petition against a person who is insolvent, and who has committed an act of bankruptcy, be filed?
12. May a partnership become a bankrupt?
13. Who appoints a trustee in the case of bankrupt partnerships?
14. How is the property of the partnership apportioned as between the creditors of the partnership and the creditors of the respective partners? What effect does the bankruptcy of one of the members of a partnership have upon the partnership property?
15. What exemptions are allowed to bankrupts?
16. Enumerate the duties of bankrupts.
17. When may a bankrupt offer terms of composition to his creditors? When may an application for the confirmation of a composition be filed?
18. When will the judge confirm a composition? Upon the confirmation of a composition how is the consideration distributed? What is the effect if the composition is not confirmed?
19. Does the confirmation of a composition discharge the bankrupt from his debts?
20. Within what time may a bankrupt file an application for a discharge?

Debtors—Old Style and New

(Continued from page 33)

manhood—and all this on the word of one creditor, without investigation or trial. The old Roman law delivered a debtor bound in chains as a slave to his creditor who might enforce from him what work he would; the later Western law entombed a man alive, debarring him from even the chance of exerting his powers. And yet, strange paradox, it did not touch whatever property he might happen to have.

No, the 1927 story of the man who was given a chance to pay his debts and did it in fifteen years could never have been told in 1827.

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Adjustment Bureaus Reduce Credit Losses

THE annual report of the New York Credit Men's Adjustment Bureau, an approved bureau of the National Association of Credit Men has just reached the desk of the manager of the Adjustment Bureau Department of the N. A. C. M. It shows that 81 cases, totaling \$4,317,856.04 assets, and \$4,852,171.43 liabilities, were received by this adjustment bureau during the year just closed. Fifty-nine cases, involving \$1,436,192.32 assets and \$1,718,109.10 liabilities, were closed. Dividends totaling \$697,552.29, or an average of 40.6 per cent. were paid to creditors. Total expenses of every nature amounted to only 10.4 per cent. of the amount paid to the general creditors, and were distributed as follows:

Bureau fee	5.8%
Administration expenses (audit, custodian, legal and selling expenses)	3.2%
Collection ac. Rec.	1.4%

Creditors, therefore, received approximately 90 per cent. of net receipts from the closed cases.

One hundred cents on the dollar was paid to creditors in three of the cases closed during the year; 88 per cent. was paid in another; 74 per cent. in another,—and 60 per cent. was paid in several. Many of the cases were "Non-Asset," yet an average dividend of 40.6 per cent. was paid.

In every case handled an independent investigation, including an audit and industrial survey, was made.

At the present time the bureau is operating 13 cases and liquidating 29 estates.

There are seventy-four approved adjustment bureaus situated throughout the United States, similarly organized and performing the same sort of efficient service, which is represented by the facts given above. Thirty-six of these approved bureaus are located in the Central Division, 27 in the Eastern Division and 11 in the Western Division of the Association.

When one compares the record of achievement of the approved adjustment bureaus with that of other agencies he appreciates why all far-sighted credit executives are enlisting the services of the Bureaus in the handling of the affairs of embarrassed and insolvent debtors.

The majority of the approved adjustment bureaus operate efficient collection departments and are prepared to render personal service in the collection and adjustment of accounts. The same constructive methods are used in the collection departments as in the estates departments.

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For further information, write the Adjustment Bureau Department, E. Paul Phillips, Manager.



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Johnstown—Adjustment Bureau of the Johnstown Association of Credit Men, Box 905, R. H. Coleman, Mgr.

Philadelphia—Adjustment Bureau of the Philadelphia Association of Credit Men, 1502 North American Bldg., D. A. Longacre, Mgr.

Pittsburgh—Adjustment Bureau of the Pittsburgh Association of Credit Men, 1213 Chamber of Commerce Bldg., H. M. Oliver, Mgr.

RHODE ISLAND—Providence—Adjustment Bureau of the Rhode Island Association of Credit Men, 313 Gas Company Bldg., C. E. Austin, Jr., Mgr.

SOUTH CAROLINA—Greenville—Piedmont Credit & Adjustment Bureau, 210 Capers Bldg., R. B. Wright, Mgr.

TENNESSEE—Chattanooga—Adjustment Bureau of the Chattanooga Association of Credit Men, 800 Broad Street, J. H. McCallum, Mgr.

Knoxville—Adjustment Bureau of the Knoxville Association of Credit Men, American National Bank Bldg., W. E. Bibee, Mgr.

Memphis—Adjustment Bureau of the Memphis Association of Credit Men, P. O. Box 211, E. N. Dietler.

TEXAS—Dallas—North Texas Credit Interchange & Adjustment Bureau, Suite 725, Santa Fe Bldg., Vernor Hall, Mgr.

El Paso—Adjustment Bureau of the Tri-State Association of Credit Men, 622 Caples Bldg., James Neeson, Mgr.

Houston—Adjustment Bureau of the Houston Association of Credit Men, 315 First National Bank Bldg., Morris D. Meyer, Mgr.

San Antonio—Adjustment Bureau of the San Antonio Association of Credit Men, 313 Alamo National Bank Bldg., Henry A. Hirschberg, Mgr.

UTAH—Salt Lake City—Adjustment Bureau of the Inter-Mountain Association of Credit Men, 1411 Walker Bank Bldg., T. O. Scheckell, Mgr.

VIRGINIA—Lynchburg—Adjustment Bureau of the Lynchburg Association of Credit Men, 406 Lynch Bldg., S. H. Wood, Mgr., Mrs. M. A. Blair, Asst. Mgr.

Norfolk—Adjustment Bureau of the Norfolk-Tidewater Association of Credit Men (Branch Office of Richmond Credit Interchange & Adjustment Bureau, Inc.), 1210 Bank of Commerce Bldg., Shelton N. Woodward.

Richmond—Richmond Credit Interchange & Adjustment Bureau, Inc., 518 State & City Bank Bldg., J. P. Abernethy, Mgr.

WASHINGTON—Seattle—Adjustment Bureau of Seattle Merchants Association, 314 Colman Bldg., H. S. Gaunce, Mgr.

Spokane—Spokane Merchants Association, 718 Realty Bldg., J. D. Meikle, Mgr.

Tacoma—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Sec'y.

WEST VIRGINIA—Clarksburg—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr.

Huntington—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., E. V. Townshend, Mgr.

Bluefield—(Branch Office) Tri-State Credit & Adjustment Bureau, Bailey Bldg., R. W. Newton, Mgr.

Charleston—(Branch Office) Tri-State Credit & Adjustment Bureau, Citizens National Bank Bldg., Lee H. Henkel, Mgr.

WISCONSIN—Milwaukee—Adjustment Bureau of the Milwaukee Association of Credit Men, 708 Mayer Bldg., Jas. G. Romer, Executive Mgr.

Green Bay—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, Kellogg National Bank Bldg., C. W. Shekey, Mgr.

Oshkosh—Adjustment Bureau of the Central Wisconsin Association of Credit Men, 76 Main St., C. D. Breon, Mgr.

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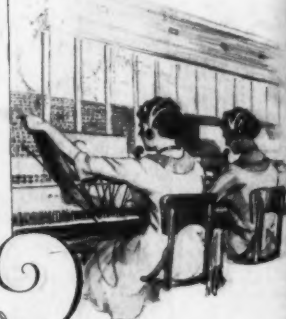
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